

# Legislative Analysis

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## UNITED WAY TAX CHECKOFF

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### House Bill 6025

Sponsor: Rep. Rick Jones

### House Bill 6026

Sponsor: Rep. Jeff Mayes

Committee: Tax Policy

Complete to 9-23-08

## A SUMMARY OF HOUSE BILLS 6025 AND 6026 AS INTRODUCED 4-30-08

The bills would allow an additional checkoff on the state income tax form; this one would allow taxpayers to contribute to a United Way Fund that could disburse money to any United Way of America organization in the state "to improve lives by mobilizing the caring power of communities to provide for basic needs, including food, clothing, and shelter."

House Bill 6026 would amend the Income Tax Act (MCL 406.435) so that a taxpayer could designate on an annual income tax return that a contribution of \$5, \$10, or more of a refund be credited to the United Way Fund. If a refund was not sufficient to make a contribution, the taxpayer could designate a contribution amount that would be added to tax liability for the tax year.

House Bill 6025 would create a new act to establish the United Way Fund in the Department of Treasury. Money in the Fund would be available for distribution upon appropriation to each county from which a contribution, gift, or donation was received. Money could be used as matching funds for a federal grant only if the federal grant would benefit the county from which the matching funds were received. The bill specifies that money in the Fund available for distribution is to be appropriated each year, and that any money remaining in the Fund at the close of the year would remain in the Fund and not lapse to the General Fund.

The two bills are tie-barred, meaning neither could take effect unless both are enacted.

## BACKGROUND INFORMATION:

Under legislation enacted in 2007, tax checkoffs are to be gathered on a separate form (or schedule) to accompany the state individual income tax return. A separate line on the income tax return then allows all contributions from the contributions schedule (for checkoffs) to be totaled.

There are currently checkoffs for the Prostate Cancer Research Fund, Amanda's Fund for Breast Cancer Research, the Animal Welfare Fund, the Michigan Housing and

Community Development Fund, the Children's Trust Fund, the Children of Veterans Tuition Grant Program, the Military Family Relief Fund, and Michigan Law Enforcement Officers Memorial Monument Fund.

Under Section 435 of the Income Tax Act, the Department of Treasury can eliminate a checkoff if it fails to raise \$100,000 in any tax year for two consecutive years.

**FISCAL IMPACT:**

House Bill 6026 would amend the Income Tax Act to allow taxpayers to contribute \$5, \$10, or more to a United Way Fund checkoff. Taxpayer donations would come from their income tax refunds or would increase their tax liability. Based on data from Michigan and other states, between \$200,000 and \$500,000 could be generated annually from a checkoff. However, the popularity of a particular checkoff and the additions of choices for checkoff contributions also affect the revenue generated for each checkoff. This bill would have no direct local fiscal impact.

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