

**Community Foundation for Southeast Michigan  
Michigan Tax Code Credits for Charitable Gifts  
Credits expire after December 31, 2011**

**Michigan Income Tax Code**

	<b>Qualifying Homeless Shelters and Food Banks MCL 206.261</b>	<b>Public Institutions (such as universities, public broadcasting, DIA, etc) MCL 206.260</b>	<b>Endowment funds at qualified community foundations MCL 206.261</b>
Individual or married person filing separately	50% of gift \$100 maximum credit	50% of gift \$100 maximum credit	50% of gift \$100 maximum credit
Married filing jointly	50% of gift \$200 maximum credit	50% of gift \$200 maximum credit	50% of gift \$200 maximum credit
Resident estate or trust	50% of gift credit limited to lesser of \$5,000 or 10% of tax liability before credit	50% of gift credit limited to lesser of \$5,000 or 10% of tax liability before credit	50% of gift credit limited to lesser of \$5,000 or 10% of tax liability before credit

Example for married couple filing jointly:  
Assume a married couple with a marginal federal income tax rate of 35 percent, and who itemize their deductions, contribute \$400 to an endowed fund of a qualified Michigan community foundation. The 50 percent Michigan tax credit would result in a Michigan income tax savings of \$200. In addition, the \$400 gift would reduce the couple's Federal income tax liability by \$70 ((\$400 - \$200 reduction in state income tax deduction because of Michigan credit) x 35 percent). The Michigan tax savings of \$200 and the Federal tax savings of \$70 result in a total tax savings of \$270. Therefore, **the married couple's gift of \$400 will only cost them \$130.**

**Michigan Business Tax Code**

	<b>Qualifying Homeless Shelters and Food Banks MCL 208.1427</b>	<b>Public Institutions (such as universities, public broadcasting, DIA, etc) MCL 208.1421</b>	<b>Endowment funds at qualified community foundations <u>and</u> "education foundations" MCL 208.1425</b>
Michigan Business taxpayers (excluding financial institutions and insurance companies) not claiming an income tax credit for the charitable gift	50% of gift credit limited to lesser of \$5,000 or 5% of tax liability before credit	50% of gift credit limited to lesser of \$5,000 or 5% of tax liability before credit	50% of gift credit limited to lesser of \$5,000 or 5% of tax liability before credit

Example:  
Assume a business with a marginal Federal income tax rate of 34 percent and a projected Michigan business tax liability of at least \$100,000 makes a contribution of \$10,000 to an endowed fund of a qualifying Michigan community foundation. The Michigan tax savings would equal 50 percent of the gift, or \$5,000. In addition, the contribution could reduce the Federal income tax liability of the business by \$1,700 ((\$10,000 - \$5,000 reduction in state income tax deduction because of Michigan credit) x 34 percent). The Michigan tax savings of \$5,000 and the Federal tax savings of \$1,700 result in a total tax savings of \$6,700. Therefore, **the cost to the business of a \$10,000 gift is only \$3,300!**

**Note:** the definition of what charities qualify for the credits varies between the income tax and business tax act. Please consult with your tax advisor and the code to ensure that your gift is being made to an organization identified in the tax code.

**Michigan Business Tax Code - "super credit" under MCL 208.1422**

**For gifts to (i) a municipality or a nonprofit corporation affiliated with a municipality and an art, historical, or zoological institute for the purpose of benefiting the art, historical, or zoological institute or (ii) an institution devoted to the procurement, care, study, and display of objects of lasting interest or value.**

Michigan Business taxpayers  
50% of total gifts that exceeds \$50,000  
credit limited in any tax year to no more than \$100,000

Example:  
Assume a business with a marginal Federal income tax rate of 34 percent makes a contribution of \$250,000 to a qualifying charity. The Michigan tax savings would equal 50 percent of the gift in excess of \$50,000 or \$100,000. In addition, the contribution could reduce the Federal income tax liability of the business by \$51,000 ((\$250,000 - \$100,000 reduction in state income tax deduction because of Michigan credit) x 34 percent). The Michigan tax savings of \$100,000 and the Federal tax savings of \$51,000 result in a total tax savings of \$151,000. Therefore, **the cost to the business of a \$250,000 gift is only \$99,000!**