

COMMUNITY FOUNDATION FOR SOUTHEASTERN MICHIGAN

MICHIGAN SINGLE BUSINESS TAX COMMUNITY FOUNDATION TAX CREDIT

You can reduce your Michigan Single Business Tax with a credit for a contribution to a permanent endowment fund at the Community Foundation for Southeastern Michigan. Under Michigan law, **individuals and businesses can reduce their Michigan Single Business Tax by a credit of 50 percent** of the amount contributed to the Community Foundation, provided the contribution is designated for permanent endowment. The tax credit is subject to the following limitation:

\$5,000 or 5 percent of the tax liability before claiming any credits, whichever is less, for taxpayers subject to the single business tax (based on a \$10,000 gift).

Important notes:

- The Single Business Tax Credit *is in addition to other Michigan credits* for donations to public broadcasting stations, Michigan colleges or universities, public libraries or food banks, homeless shelters and food kitchens.
- The Single Business Tax credit *is in addition to the Federal income tax deduction.*
- Multiple related businesses paying Michigan Single Business Tax can each claim a credit – *creating additional leverage.*
- The credit is *aggregated* for endowment gifts to all community foundations made in a tax year. In other words, you can't take multiple \$5,000 credits by making gifts to more than one community foundation.
- *Always consult with your personal tax advisor* to determine how charitable tax planning will impact your – and your business's – tax liability.

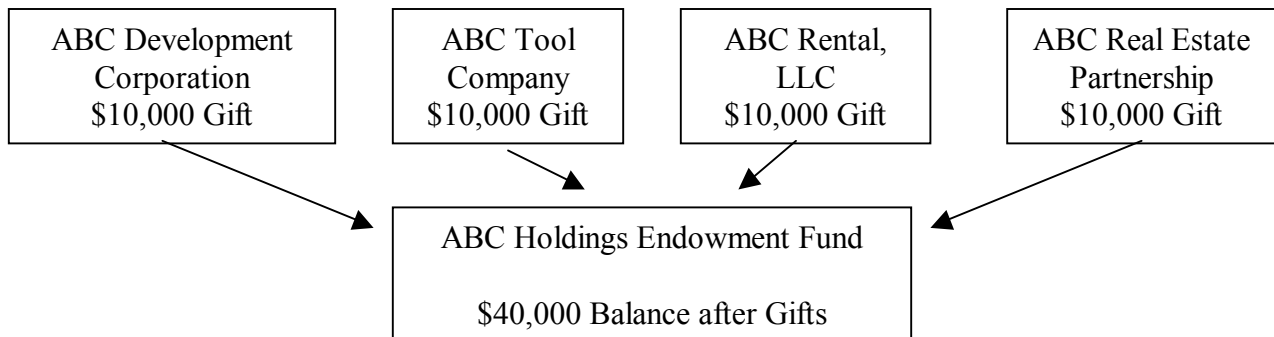
Example

Let's look at an example of how the Michigan Community Foundation Single Business Tax Credit works.

Assume a business with a marginal Federal income tax rate of 34 percent and a projected Michigan single business tax liability of at least \$100,000 makes a contribution of \$10,000 to an endowed fund of the Community Foundation for Southeastern Michigan. 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!**

Leveraging the Credit

As noted above, multiple related businesses can claim separate credits even if the contributions all go into the same fund at the Community Foundation. This can be illustrated as follows:



Assuming each business has a marginal Federal income tax rate of 34 percent and a projected Michigan single business tax liability of at least \$100,000, **the total net cost of the \$40,000 fund is only \$13,200!** This is computed as follows:

Gift	\$10,000
Single Business Tax Credit	(5,000)
<u>Federal Tax Savings for Charitable Deduction</u>	<u>(1,700)</u>
Net Cost of Each Gift	\$3,300
<u>Multiplied by Four Companies</u>	<u>X 4</u>
Total Net Cost of Gifts	\$13,200

Funds That Qualify for the Tax Credit

Tax credits can be claimed for gifts into any endowment fund at the Community Foundation. Therefore, donors can make a gift that qualifies for the credit to:

- Existing endowment funds at the Community Foundation such as our *Founder's Unrestricted Fund*, which provides support to address a wide variety of ever-changing needs in our community.
- A new endowment fund named as a lasting legacy of a company's or company's founder(s) to our community, including:
 - Unrestricted funds or field-of-interest funds;
 - Designated agency funds;
 - Endowed donor advised funds; and
 - Scholarship funds

For More Information

If you would like additional information on the Michigan Community Foundation Tax Credit, please call the Community Foundation for Southeastern Michigan at (313) 961-6675.