

# Give more for less

## Michigan Community Foundation Tax Credit



**When you, your family, or business create an endowed fund** or make a gift to one of the Kalamazoo Community Foundation's more than 400 endowed funds, your dollars go farther through a special 50 percent Michigan Community Foundation Tax Credit.

### How it works

The law permits taxpayers to reduce their Michigan Income Tax or Single Business Tax liability by a credit of 50 percent of the amount contributed to a community foundation endowment fund.

- If you contribute \$200 or more, your tax credit will be \$100 (maximum credit) for an individual filing singly.
- If you and your spouse contribute \$400 or more, your tax credit will be \$200 (maximum credit) for a married couple filing jointly.
- If your business contributes \$10,000 or more, your tax credit will be \$5,000 (maximum credit) or five percent of tax liability before claiming any credits, whichever is less, for taxpayers filing Michigan Single Business Tax returns.

In addition to the Community Foundation Tax Credit, the State of Michigan offers:

**Public Contribution Credit:** Your gift qualifies for a state income tax credit if given to one of Michigan's public institutions such as colleges or universities, public libraries, public broadcasting stations, or state museums.

**Homeless Shelters or Food Banks:** Your gift qualifies for a state income tax credit if given to nonprofit agencies such as the Kalamazoo Gospel Mission, Housing Resources, Open Door and Next Door Shelters, Loaves and Fishes, or Ministry with Community.

### A less taxing way to give

Remember, you may take advantage of all three credits during each tax year. For example, if you are an individual and your year-end giving plan includes a gift to a community foundation endowed fund, a gift to a Michigan public university or college, and a gift to a shelter for the homeless, each gift could qualify for a special Michigan tax credit of up to 50 percent of the gift.



**Kalamazoo**

community foundation™

For **good.** For **ever.**®

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The Michigan Community Foundation Tax Credit currently applies only to gifts made to endowed funds within the Kalamazoo Community Foundation. Examples of the impact of the tax credit on individual and corporate taxpayers are outlined below. For additional information on how the Michigan Community Foundation Tax Credit impacts you, please consult with your tax advisor.

### Single Person (Non-Itemizer)

**Amount of Gift** \$500 • **Amount Eligible for Credit** \$200 • **Federal Marginal Income Tax Rate** N/A

<b>Impact of the Gift on Michigan State Income Taxes*</b>	\$500 Gift – \$100 Tax Credit (50% of \$200) = \$100 Savings on Michigan State Income Taxes (SIT)
<b>Impact of the Gift on Federal Income Taxes</b>	Not Applicable
<b>Total Tax Savings</b>	\$100 Savings on Michigan State Income Taxes + \$0 Savings on Federal Taxes = \$100 Total Savings
<b>Actual Cost of Gift</b>	\$500 Gift – \$100 Total Tax Savings = \$400 Actual Cost of Gift

### Married Couple Filing Jointly (Itemizers)\*\*

**Amount of Gift** \$1,000 • **Amount Eligible for Credit** \$400 • **Federal Marginal Income Tax Rate** 28%

<b>Impact of the Gift on Michigan State Income Taxes*</b>	\$1,000 Gift – \$200 Tax Credit (50% of \$400) = \$200 Savings on Michigan State Income Taxes (SIT)
<b>Impact of the Gift on Federal Income Taxes***</b>	(\$1,000 Gift – \$200 SIT Reduction) x 28% Marginal Tax Rate = \$224 Savings on Federal Taxes
<b>Total Tax Savings</b>	\$200 Savings on Michigan State Income Taxes + \$224 Savings on Federal Taxes = \$424 Total Savings
<b>Actual Cost of Gift</b>	\$1,000 Gift – \$424 Total Tax Savings = \$576 Actual Cost of Gift

### Corporation

**Amount of Gift** \$10,000 • **Projected Single Business Tax Liability** \$100,000 • **Federal Marginal Income Tax Rate** 34%

<b>Impact of the Gift on Michigan Single Business Tax****</b>	\$10,000 Gift – \$5,000 Tax Credit = \$5,000 Savings on Michigan Single Business Tax (SBT)
<b>Impact of the Gift on Federal Income Taxes***</b>	(\$10,000 Gift – \$5,000 SBT Reduction) x 34% Marginal Tax Rate = \$1,700 Savings on Federal Taxes
<b>Total Tax Savings</b>	\$5,000 Savings on Michigan SBT + \$1,700 Savings on Federal Taxes = \$6,700 Total Savings
<b>Actual Cost of Gift</b>	\$10,000 Gift – \$6,700 Total Tax Savings = \$3,300 Actual Cost of Gift

\* State income tax liability must be at least \$100 for a single person; \$200 for married persons.

\*\* Federal Tax Rate effective as of May 2003.

\*\*\* Tax credit reduces itemized deductions for state income taxes on federal tax returns the year following the deduction.

\*\*\*\* Tax credit equals the smallest of 1) 50 percent of the amount contributed; 2) 5 percent of net SBT liability; or 3) \$5,000.