

Community Foundation Tax Credit  
**CORPORATE TAXPAYERS - MICHIGAN BUSINESS TAX**  
 Updated February 2008

	<u>"A" Corp.</u>	<u>"B" Corp.</u>	<u>"C" Corp.</u>	<u>"D" Corp.</u>	<u>"E" Corp.</u>	<u>"F" Corp.</u>	<u>"G" Corp.</u>	<u>"H" Corp.</u>
<b>Federal Marginal Income Tax Rate</b>	15%	15%	25%	25%	34%	34%	35%	35%
<b>Projected MBT Liability *</b>	<b>\$100,000</b>	<b>\$ 50,000</b>	<b>\$100,000</b>	<b>\$ 50,000</b>	<b>\$100,000</b>	<b>\$ 50,000</b>	<b>\$100,000</b>	<b>\$ 50,000</b>
<b>Amount of Contribution</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>
<u>Impact on State Taxes:</u>								
Amount of contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
x State Tax Credit	50%	5% of MBT	50%	5% of MBT	50%	5% of MBT	50%	5% of MBT
= State Tax Savings **	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500
<u>Impact on Federal Taxes: ***</u>								
Amount of contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
- MBT Reduction	(5,000)	(2,500)	(5,000)	(2,500)	(5,000)	(2,500)	(5,000)	(2,500)
= Net Change in Fed. Taxable Income	\$ 5,000	\$ 7,500	\$ 5,000	\$ 7,500	\$ 5,000	\$ 7,500	\$ 5,000	\$ 7,500
x Marginal Tax Rate	15%	15%	25%	25%	34%	34%	35%	35%
= Federal Tax Savings	\$ 750	\$ 1,125	\$ 1,250	\$ 1,875	\$ 1,700	\$ 2,550	\$ 1,750	\$ 2,625
<u>Total Tax Savings:</u>								
State tax savings	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500
+ Federal Tax Savings	750	1,125	1,250	1,875	1,700	2,550	1,750	2,625
= Total Tax Savings	\$ 5,750	\$ 3,625	\$ 6,250	\$ 4,375	\$ 6,700	\$ 5,050	\$ 6,750	\$ 5,125
<b>Actual Cost of Contribution:</b>								
<b>Amount of contribution</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$ 10,000</b>	<b>\$10,000</b>
<b>- Total Tax Savings</b>	<b>(5,750)</b>	<b>(3,625)</b>	<b>(6,250)</b>	<b>(4,375)</b>	<b>(6,700)</b>	<b>(5,050)</b>	<b>(6,750)</b>	<b>(5,125)</b>
<b>= Donor's Actual Cost</b>	<b>\$ 4,250</b>	<b>\$ 6,375</b>	<b>\$ 3,750</b>	<b>\$ 5,625</b>	<b>\$ 3,300</b>	<b>\$ 4,950</b>	<b>\$ 3,250</b>	<b>\$ 4,875</b>

\* MBT is the Michigan Business Tax.

\*\* Tax credit is equal to the smallest of 50% of the amount contributed, 5% of net MBT tax liability, or \$5,000.

\*\*\* Federal tax liability adjusted for decrease in MBT deduction.

**S corporation**

An S corporation is a pass through entity. This means the income and charitable contributions of the S corporation pass through to the individual shareholders and they each report their share of the income and charitable contributions on their Form 1040. Notwithstanding this fact, however, an S corporation (just like a C corporation) that must file the Michigan Business Tax return may claim the Community Foundation tax credit.

*This chart was prepared by Clark Hill PLC on behalf of the Council of Michigan Foundations.*

*The information is for illustrative purposes only. Please check with your tax advisor.*