

Community Foundation Tax Credit
CORPORATE (MBT*) TAXPAYERS
Updated February 2009

	"A" Corp.	"B" Corp.	"C" Corp.	"D" Corp.	"E" Corp.	"F" Corp.	"G" Corp.	"H" Corp.	"I" Corp.	"J" Corp.
Federal Marginal Income Tax Rate	15%	15%	25%	25%	34%	34%	38%	38%	35%	35%
Projected MBT Liability *	\$100,000	\$ 50,000	\$100,000	\$ 50,000	\$100,000	\$ 50,000	\$100,000	\$ 50,000	\$100,000	\$ 50,000
Amount of Contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Impact on State Taxes:										
Amount of contribution	\$ 10,000	\$ 10,000	\$ 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	50%	5% of MBT
= State Tax Savings **	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000	\$ 2,500
Impact on Federal Taxes: ***										
Amount of contribution	\$ 10,000	\$ 10,000	\$ 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)	(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	\$ 5,000	\$ 7,500
x Marginal Tax Rate	15%	15%	25%	25%	34%	34%	38%	38%	35%	35%
= Federal Tax Savings	\$ 750	\$ 1,125	\$ 1,250	\$ 1,875	\$ 1,700	\$ 2,550	\$ 1,900	\$ 2,850	\$ 1,750	\$ 2,625
Total Tax Savings:										
State tax savings	\$ 5,000	\$ 2,500	\$ 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	1,900	2,850	1,750	2,625
= Total Tax Savings	\$ 5,750	\$ 3,625	\$ 6,250	\$ 4,375	\$ 6,700	\$ 5,050	\$ 6,900	\$ 5,350	\$ 6,750	\$ 5,125
Actual Cost of Contribution:										
Amount of contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
- Total Tax Savings	(5,750)	(3,625)	(6,250)	(4,375)	(6,700)	(5,050)	(6,900)	(5,350)	(6,750)	(5,125)
= Donor's Actual Cost	\$ 4,250	\$ 6,375	\$ 3,750	\$ 5,625	\$ 3,300	\$ 4,950	\$ 3,100	\$ 4,650	\$ 3,250	\$ 4,875

* 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.