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SBT: ENVIRONMENTAL CREDITS

House Bill 6052
Sponsor: Rep. Kirk A. Profit
Committee: Tax Policy

Complete to 9-22-98

A SUMMARY OF HOUSE BILL 6052 AS INTRODUCED 9-16-98

The bill would amend the Single Business Tax Act to create two new credits for manufacturers: a clean manufacturing credit, to offset expenditures made to reduce the use of toxic materials or reduce environmental waste, and a material substitution expense credit, to offset increased costs caused by switching to less toxic or nontoxic materials. The credits would have to be certified by a special board created by the bill made up of the directors of the Departments of Environmental Quality, Consumer and Industry Services, Management and Budget, Treasury, and Community Health, or their designees, based on criteria specified in the bill.

The clean manufacturing credit would be equal to 30 percent of the cost of investment times either the percentage by which toxic materials or environmental waste was reduced. The material substitution credit would be equal to 30 percent of the additional cost of using substitute materials. The maximum amount of credits available in a fiscal year would be $10 million, and no one taxpayer could receive credits exceeding $200,000 in a tax year. The credit would not be refundable, but any amounts that exceeded tax liability in one year could be carried forward to offset tax liability for two years or until used up, whichever came first. The credits could be claimed in the year in which the production process redesign or operational improvement that formed the basis for the credits first became operational at a taxpayer's manufacturing facility in Michigan.

The board certifying the credits would approve applications for credits in the order in which they were received in each state fiscal year. If total credits applied for exceeded the maximum that can be awarded, applications received after the maximum had been reached would not be approved. The board could give preference in a subsequent fiscal year to those applications.

Certification of a credit by the special board would require the prior verification by the Department of Environmental Quality that, among other things, the investment would result in the reduction in the use of toxic materials or the production of environmental waste (for the clean manufacturing investment credit) or that the substitute materials were nontoxic or less toxic than those being replaced and that the additional expense involved would result in the reduction in the use of a toxic material (for a material substitution expense credit). The other criteria to be used by the special board would, generally speaking, require the providing of information that would allow the board to determine that the investments made were related to the process redesign or operational improvement that reduced waste or reduced the use of toxic materials or that the expenses incurred were related to the substitution of materials. The manufacturing investment credit would only be available for an investment made voluntarily and not for an investment resulting from an enforcement action, a negotiation settlement, or an order of a federal or state agency or court.

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