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SFA BILL ANALYSIS

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Senate Bill 105 (Substitute S-4 as reported by the Committee of the Whole)
Sponsor: Senator John J.H. Schwarz, M.D.
Committee: Finance

CONTENT

The bill would amend the Single Business Tax Act to allow a "qualified taxpayer" to claim a credit against the tax for "qualified expenditures" made for the rehabilitation of a "historic resource", that is, a publicly or privately owned historic building, structure, site, object, feature, or open space located within a historic district as designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit that established a historic district under the Local Historic Districts Act; or, a historic building, structure, etc., that was listed individually on the National or State Register. The credit would be equal to 25% of the qualified expenditures, and could be claimed for the 1999 tax year and thereafter.

"Qualified expenditures" would be capital expenditures that qualified for the Federal rehabilitation credit if the taxpayer were eligible for the Federal credit, or the qualified expenditures that were eligible for the credit under the bill if the taxpayer were not eligible for the Federal credit; that were paid within five years after the initial certification of a rehabilitation plan was approved by the Michigan Historical Center; and that were paid after December 31, 1998, for the rehabilitation of a historic resource. "Qualified taxpayer" would mean a person that owned the resource to be rehabilitated or that had a long-term lease agreement (at least 27.5 years for a residential site or at least 31.5 years for a nonresidential site) with the owner of the resource and that had qualified expenditures for the rehabilitation of the resource equal to or greater than 10% of the State equalized valuation (SEV) of the property.

A taxpayer with expenditures that were eligible for the Federal rehabilitation credit could not claim the proposed credit unless the taxpayer had claimed and received the Federal credit. The credit would have to be reduced by the amount of credit the taxpayer received for the Federal credit, for the same qualified expenditures in the same tax year. (Under the Internal Revenue Code, a taxpayer may claim a rehabilitation credit for 20% of the qualified expenditures made for a certified historic structure.)

Proposed MCL 208.39c Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would reduce single business tax revenue by an estimated $1.0 million. This estimate of the full impact of the bill would probably not be felt until two to three years after the bill was enacted into law. The estimate is based on information supplied by the Michigan Historical Preservation Network, which included data and estimates on the number of historic sites in Michigan that would qualify for, and claim, this investment tax credit, and the average cost of these renovation projects. The bill sets no limit on the size of the proposed tax credit, so the fiscal impact in any particular year could be higher than the above estimate if large historic structures qualified for the tax credit and were renovated at a cost in excess of the average costs used in this analysis. The loss in revenue from the bill would affect General Fund/General Purpose revenue.

Date Completed: 6-3-98 Fiscal Analyst: J. Wortley