

Senate Bill 1322 as passed by the Senate
Sponsor: Sen. Joanne G. Emmons
Committee: Energy and Technology

Complete to 6-27-02

A SUMMARY OF SENATE BILL 1322 AS PASSED BY THE SENATE

Senate Bill 1322 would amend the Single Business Tax Act (MCL 208.39e) to allow a taxpayer to claim one or both of two new single business tax (SBT) credits. The bill would create a nonrefundable credit equal, generally speaking, to a taxpayer's increase in tax liability in the current tax year over the tax liability in 2001 attributable to research, development, and manufacturing of alternative energy systems, vehicles, technologies, and renewable fuels. The bill would also create a refundable credit equal to the total salaries and wages of qualified employees of a qualified alternative energy entity—i.e., a business that works on alternative energy and is located in an alternative energy zone—multiplied by the income tax rate for that year. (A refundable credit means that even if the credit exceeds tax liability, the amount of the credit in excess of the liability is returned to the taxpayer.) House Bill 6070 and Senate Bill 1316, previously reported out of the House Energy and Technology Committee, propose to create the Michigan Next Energy Authority Act, which would, among other things, create a state authority that would certify taxpayers' eligibility for the tax credits proposed by Senate Bill 1322 and various other bills. House Bill 6073, which has been reported out of the Energy and Technology Committee and passed by the House, proposes SBT credits similar to those proposed by Senate Bill 1322. The SBT credits proposed by Senate Bill 1322 are described below.

Refundable payroll credit for qualified alternative energy entity. For tax years beginning after December 31, 2002, a SBT taxpayer that was a "qualified alternative energy entity"—i.e., a taxpayer located in an alternative energy zone which could be created under the Michigan Next Energy Authority Act—could claim a credit for the taxpayer's "qualified payroll amount". "Qualified payroll amount" would mean an amount equal to the taxpayer's "payroll"—i.e., total salaries and wages before deducting personal and dependency exemptions—attributable to employees who are working on alternative energy related research, development, and manufacturing in the tax year for which the credit was being claimed, multiplied by the income tax rate for that year. A taxpayer could claim the credit after claiming all allowable nonrefundable credits under the SBT act, and if the credit exceeded the taxpayer's tax liability for the tax year, the portion of the credit that exceeded the tax liability would be refunded.

Nonrefundable credit. For tax years beginning after December 31, 2002, a SBT taxpayer that was certified as eligible under the proposed Michigan Next Energy Authority Act could claim a nonrefundable credit equal to the amount by which the taxpayer's "tax liability attributable to qualified business activity" for the tax year exceeded the taxpayer's 2001 tax liability attributable to qualified business activity. "Qualified business activity" would mean research, development, or manufacturing of an alternative energy marine propulsion system, an alternative energy system, an alternative energy vehicle, alternative energy technology, or "renewable fuels", including biodiesel, biodiesel blends containing at least 20 percent biodiesel,

and biomass. “Tax liability attributable to qualified business activity” would mean the taxpayer’s tax liability multiplied by the average of the following two ratios:

- the ratio of the value of the taxpayer’s property used for qualified business activity and located in the state but outside of a renaissance zone to the value of all of the taxpayer’s property located in the state, and
- the ratio of the taxpayer’s payroll for qualified business activity performed outside of a renaissance zone to all of the taxpayer’s payroll in the state.

A taxpayer could not claim the credit for any tax year in which the taxpayer’s tax liability attributable to qualified business activity did not exceed the 2001 baseline liability attributable to qualified business activity. An affiliated group, a controlled group of corporations, or an entity under common control could not take the credit unless the qualified business activity of the group or entity was consolidated. A taxpayer that claimed the credit would have to attach a copy of each of the following to the annual return required under the SBT act for each year in which the taxpayer claimed the credit:

- proof of certification that the taxpayer is an eligible taxpayer for the tax year;
- proof of certification of the taxpayer’s tax liability attributable to qualified business activity for the tax year; and
- proof of certification of the taxpayer’s baseline tax liability attributable to qualified business activity.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.