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SFA**BILL ANALYSIS**

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Senate Bill 1322 (Substitute S-3 as reported)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

CONTENT

The bill would amend the Single Business Tax Act to allow credits against the single business tax (SBT) for tax years beginning after December 31, 2002, as follows:

- A taxpayer that was certified under the Michigan Next Energy Authority Act as an eligible taxpayer could claim a nonrefundable credit for that portion of the taxpayer's tax liability attributable to qualified business activity for the tax year.
- A taxpayer that was a qualified alternative energy entity could claim a credit for the taxpayer's qualified payroll amount. A taxpayer would have to claim the credit after all allowable nonrefundable credits under the SBT Act.

"Qualified business activity" would mean research, development, or manufacturing of an alternative energy marine propulsion system, an alternative energy system, an alternative energy vehicle, or alternative energy technology, for which the eligible taxpayer had received proof of certification of qualified business activity under the Michigan Next Energy Authority Act. (Senate Bill 1316 (S-5) would create that Act and establish the Michigan Next Energy Authority, which would have to certify a taxpayer as eligible to claim the credit for qualified business activity. That bill would define "alternative energy marine propulsion system", "alternative energy system", "alternative energy vehicle", and "alternative energy technology".)

Under Senate Bill 1322 (S-3) a qualified business activity also would include renewable fuel, which would mean "biodiesel", "biodiesel blends", and "biomass", as defined in the bill.

The bill provides that a "qualified alternative energy entity" would be a taxpayer located in an alternative energy zone; that is, a renaissance zone designated as an alternative energy zone by the board of the Michigan Strategic Fund (pursuant to Senate Bill 1315).

Proposed MCL 208.39e

Legislative Analyst: George Towne

FISCAL IMPACT

It is estimated that the two new single business tax credits proposed in this bill would have very minimal negative fiscal impacts in the near term, beginning in FY 2002-03. However, if qualified businesses were to locate and begin operations in the proposed alternative energy zone, and if qualified research, development, and manufacturing activity continued to grow, these credits would potentially reduce single business tax revenue by several millions of dollars in the longer term. This loss in State government revenue would have an impact on the General Fund/General Purpose budget because all of SBT revenue goes into General Fund/General Purpose revenue. These proposed new single business tax credits would have no direct impact on local governments.

Date Completed: 6-4-02

Fiscal Analyst: Jay Wortley