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**SFA****BILL ANALYSIS**

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Senate Bill 1500 (Substitute S-1 as reported)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Finance

## **CONTENT**

The bill would amend the Single Business Tax (SBT) Act to revise the calculation of the credit allowed for a taxpayer located and conducting business activity within a renaissance zone, and the credit allowed for an eligible taxpayer that has "qualified business activity" (alternative energy activity in a designated renaissance zone). In either case, for tax years beginning after 2002, the credit would equal either the amount calculated under the present formula (which the bill would modify for a taxpayer with alternative energy activity), or an amount based on a percentage of adjusted payroll, whichever was less.

Under the Act, for a taxpayer located and conducting business activity in a designated renaissance zone, the credit is equal to the amount of the taxpayer's "tax liability attributable to business activity conducted within a renaissance zone". The bill would allow a taxpayer to claim either that amount or 10% of adjusted payroll for services performed in a designated renaissance zone, whichever was less. The bill would retain the present formula for determining "tax liability attributable to business activity conducted within a renaissance zone", which is based on property and payroll.

Currently, an eligible taxpayer may claim a credit for a tax year equal to the amount by which the taxpayer's SBT liability attributable to qualified business activity for the tax year exceeds the taxpayer's "baseline tax liability attributable to qualified business activity". Under the bill, an eligible taxpayer could claim the lesser of that amount or 10% of the amount by which the taxpayer's adjusted payroll for qualified business activity performed in Michigan outside of a renaissance zone for a tax year, exceeded the taxpayer's adjusted payroll for qualified business activity performed in Michigan outside of a renaissance zone for the 2001 tax year. The bill also would revise the calculation of "baseline tax liability".

MCL 208.39b & 208.39e

Legislative Analyst: George Towne

## **FISCAL IMPACT**

By limiting the credit that may be claimed for activities in a renaissance zone, the bill would increase General Fund revenues by a likely minimal amount. The bill would affect credits under current law as well as the recently enacted credit for alternative energy activities. It would attempt to limit the credits to reflect activity that actually occurs within, or is reflected by the presence of, a renaissance zone. Current law apparently allows some taxpayers to claim credits for amounts based upon more than the activity in the renaissance zone would suggest, and more than was originally estimated given levels of activity within the zones.

For existing renaissance zones, the bill would reduce some taxpayers' credits. The amount of revenue involved is not expected to be significant, but could total several million dollars. For credits related to alternative energy activity in a renaissance zone, the bill would have no effect because no credits have been awarded and no tax revenue has been received from the zones, and the fiscal impact estimated for this credit assumed that it would accurately reflect the assumed level of business activity within the zones.

Date Completed: 11-26-02

Fiscal Analyst: David Zin

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Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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