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BILL



ANALYSIS

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House Bill 5322 (Substitute H-1 as passed by the House)
Sponsor: Representative Fran Amos
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 12-16-03

CONTENT

The bill would amend the Income Tax Act to allow an income tax credit, for tax years beginning after 2009 and before 2020, for a taxpayer to whom a certificate and remaining single business tax (SBT) credit amount had been issued or transferred under the SBT Act (pursuant to Senate Bill 835). The bill is tie-barred to Senate Bill 834, which would create the "Michigan Early Stage Venture Investment Act" to provide for the solicitation of funds in an "Early Stage Venture Investment Fund" for investment in venture capital companies, which would invest in qualified businesses.

(Senate Bill 835 would amend the SBT Act to specify that, for tax years beginning after 2008 and before 2020, a taxpayer that was an investor under the proposed Michigan Early Stage Venture Investment Act could claim an SBT credit equal to the amount determined and credited under that Act, if a proposed fund could not repay the negotiated return on the investment. Under Senate Bill 835, for tax years beginning after 2009, if a credit against the SBT or a successor tax were not allowed, the taxpayer could claim a credit against the income tax or transfer the credit to a person who could claim it against the income tax.)

An income tax credit could be claimed under House Bill 5322 (H-1) only in a tax year in which a credit under Senate Bill 835 was not allowed against the SBT or a successor tax, and only in a tax year beginning after December 31, 2009, and before January 1, 2020. The income tax credit allowed for any tax year could not exceed the amount on the tax-credit certificate for the specified tax year.

If the allowed income tax credit exceeded the claimant's or taxpayer's tax liability for the tax year, the excess portion of the credit would have to be refunded. If a claimant had no income tax liability for the tax year, the amount of the income tax credit would be equal to the remaining SBT credit amount the claimant could have claimed, had the SBT Act been in effect for the tax year.

The Department of Treasury would have to prescribe the form used to claim an income tax credit for a claimant who was issued an SBT tax credit under Senate Bill 835. That form would have to be separate and distinct from all other income tax forms. The tax credit certificate issued to a claimant or transferred to another taxpayer under Senate Bill 835 would have to be attached to a claimant's or taxpayer's annual income tax return for the first tax year in which a credit or any portion of a credit was claimed.

Proposed MCL 206.270

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

It is not possible to provide a reasonable estimate of the fiscal impact of this bill because there is no way to know the amount that investors in the proposed Investment Fund would be eligible to claim as refundable credits in 2010 and subsequent years, because there is no way to know: 1) the amount investors would be willing to invest in the proposed Investment Fund, 2) the rate of return that would be guaranteed to individual investors, or 3) the ultimate actual rate of return that would be realized by the Fund. According to provisions in Senate Bill 834 (to which this bill is tie-barred), these credits would be limited to \$30 million in any given year and to \$150 million during the life of the Fund.

Fiscal Analyst: Jay Wortley

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