

# Legislative Analysis



## **MEGA/GBT BROWNFIELD CREDITS: EXPEDITED APPROVAL OF PROJECTS OF \$2 MILLION OR LESS**

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**House Bill 4733 as introduced**  
**Sponsor: Rep. Rick Baxter**

**House Bill 4734 (Substitute H-2)**  
**Sponsor: Rep. Kevin Elsenheimer**  
**Committee: Commerce**

**Complete to 6-21-05**

## **A PRELIMINARY SUMMARY OF HOUSE BILL 4733 AND HOUSE BILL 4734 (H-2) AS REPORTED FROM COMMITTEE ON 6-14-05**

The bills, taken together, would amend the Single Business Tax Act to create a new category of brownfield tax credit with an expedited approval process separate from (and less onerous than) the process required for the existing credits awarded by the Michigan Economic Growth Authority (MEGA).

The bills would apply to projects that have a cost of \$2 million or less; that is, projects eligible for credits of \$200,000 or less. The Michigan Economic Growth Authority could not approve more than 100 of these projects each calendar year [for a maximum of \$20 million in credits.] The application for a credit in this category would have to be approved or denied by the chairperson of MEGA (or a designee) within 30 days of receipt of the application. If action was not taken within 30 days, the application would be considered approved.

MEGA would use the following criteria to approve one of these smaller projects: 1) the project is for eligible investment; and 2) the project is on property that is contaminated, is blighted, or is functionally obsolete. The term "eligible investment" refers to such activities as demolition, construction, restoration, alteration, renovation, and improvement of buildings, as well as site improvement and the addition of machinery and equipment.

Other criteria that currently apply to all projects of \$10 million or less would not apply to the new smaller credits (those for projects of \$2 million or less.)

Currently, the MEGA/GBT brownfield credits are approved as follows.

1) An SBT credit for a project costing \$10 million or less requires the approval of the chairperson of MEGA (or a designee). An application is considered approved if not acted upon within 45 days. A maximum of \$30 million of these kinds of credits can be approved in any calendar year.

2) An SBT credit for a project costing more than \$10 million requires the approval of the Michigan Economic Growth Authority and the state treasurer. If an application is not approved within 65 days, MEGA must send the application to the state treasurer. If the state treasurer does not act within five days, the project is approved. A maximum of 15 of these projects can be approved each year. Up to three projects can carry total credits of over \$10 million, up to a maximum of \$30 million each.

House Bill 4734 would amend the SBT Act (MCL 208.38g) to create the new category of credit. It would accomplish this by splitting the current category that applies to projects costing \$10 million or less into two categories: 1) projects whose cost is more than \$2 million but \$10 million or less; and 2) projects whose cost is \$2 million or less (that is, projects that qualify for credits equaling \$200,000 or less).

House Bill 4734 would also impose a new \$190 million cap on credits of \$1 million or more (with the apparent aim of keeping the current overall limit on total credits unchanged.)

The bill is tie-barred to House Bill 4733, which would amend the SBT Act (MCL 208.35c) to limit the number of the smaller credits to 100 per calendar year. House Bill 4733 would also list the required contents of the project pre-approval letter.

#### **FISCAL IMPACT:**

The net impact of these bills is revenue neutral.

#### **ADDITIONAL INFORMATION:**

At the House Commerce Committee meeting on 6-14-05, representatives from the Michigan Economic Development Corporation (MEDC) proposed amendments to House Bill 4734 that would, in general, increase the set-aside for small brownfield credit projects from the current \$30 million to \$40 million and, as an offset, reduce the number of "Jumbo" SBT credits from three to two. They also proposed continuing the current MEDC scrutiny of small credits rather than making them self-claiming. This would make the proposed legislation revenue neutral, said MEDC representatives. They do not currently consider the bills revenue neutral because although it is logically possible, given current project caps, for the 15 large projects that can be awarded each year to result in \$210 million in credits, in practice that total has never been reached in any year. However, the \$30 million cap for small projects is always achieved. So while the proponents of the legislation would say that issuing \$240 million in credits is revenue neutral, the MEDC considers it to represent an increase in the amount of credits typically awarded.

Other amendments to remove restrictions on the transfer or assignability of tax credits were recommended by the Michigan Bankers Association, the Community Economic Development Association of Michigan, and committee members.

***POSITIONS:***

The Michigan Chamber of Commerce supports the bills. (6-14-05)

The Michigan Bankers Association has indicated support for the bill. (6-14-05)

The Community Economic Development Association of Michigan has indicated support for the bill. (6-14-05)

Representatives of the Michigan Economic Development Corporation testified that the MEDC is opposed to the bill without amendments. (6-14-05)

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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.