Legislative Analysis

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SINGLE BUSINESS TAX CREDITS

House Bill 4982 (Substitute H-3)
Sponsor: Rep. Rick Baxter

House Bill 5459 (Substitute H-1)
Sponsor: Rep. Tim Moore

House Bill 5460 (Substitute H-2)
Sponsor: Rep. Glenn Steil, Jr.

House Bill 5461 (Substitute H-2)
Sponsor: Rep. David Farhat

Committee: Tax Policy
Complete to 12-6-05

A SUMMARY OF HOUSE BILLS 4982 & 5459–5461 AS REPORTED FROM COMMITTEE 12-6-05

House Bills 4982, 5460, and 5461

The bills would amend the Single Business Tax Act (MCL 208.35d, 208.35h, and 208.35g) to establish a refundable credit against the SBT equal to 15 percent of property taxes paid on industrial personal property. The credit would be available to firms whether or not they are required to file an SBT return.

Under the bills, "property taxes" would mean taxes paid under the General Property Tax Act, the Plant Rehabilitation and Industrial Development Act, the Obsolete Property Rehabilitation Act, as well as the amounts of payments made to the Michigan Strategic Fund related to a renaissance zone used to reimburse local taxing units and payments made under contract with certain local assessing districts that contain a distressed area.

If a final order of a court determines that the credit is unconstitutional or applies to persons, services, taxes, investment, or other activities outside of the state, each section would be severed from the SBT Act and not be effective.

House Bill 4982 would provide the credit for the tax years that begin on or after January 1, 2006 and before January 1, 2007. Senate Bill 909 would provide a similar credit for tax years that begin on or after January 1, 2007 and before January 1, 2008. House Bill 5461 would provide the credit for tax years that begin on or after January 1, 2008 and before January 1, 2009. House Bill 5460 would provide the credit for the tax years that begin on or after January 1, 2009 and before January 1, 2010.

House Bill 5459

The bill would amend the Single Business Tax Act (MCL 208.35j) to provide taxpayers that transfer jobs into the state with a credit against the SBT equal to 100 percent of personal property taxes directly related to the transferred jobs. The credit would only be available for taxes paid in the first year related to the transferred jobs, and could only be claimed for taxes paid in the 2009 tax year.

To claim the credit, the taxpayer would have to enter into an agreement with the Michigan Economic Growth Authority (MEGA) that specifies the following: (1) the taxpayer will transfer jobs into the state in excess of what the taxpayer maintained in the state in the previous year; (2) related personal property will be located in the state; and (3) the relocation of the jobs and property could not be reasonably done before January 1, 2007. The MEGA would issue the taxpayer a certificate, which the taxpayer would attach to its annual return.

If the taxpayer does not maintain the number of transferred jobs in the state for any of the three years after it claims the credit, a portion of the credit received would be added back to the taxpayer's tax liability, as follows: (1) 100 percent, if fewer jobs during the first year; (2) 67 percent, if fewer jobs in the second year, or (3) 33 percent, if fewer jobs in the third year.

Personal property used to calculate the credit available under House Bills 4982, 5460, and 5461, and Senate Bill 909 could not also be used to calculate the credit provided under House Bill 5459.

The bill incorporates the definition of "property taxes" and "transferred jobs" as defined in Senate Bill 910. "Property taxes" would mean taxes paid under the General Property Tax Act, the Plant Rehabilitation and Industrial Development Act, the Obsolete Property Rehabilitation Act, as well as the amounts of payments made to the Michigan Strategic Fund related to a renaissance zone used to reimburse local taxing units.

"Transferred jobs" would mean (1) manufacturing jobs or jobs performing a high technology activity; (2) jobs that represent an overall increase in full-time equivalent jobs of the taxpayer in the immediately preceding tax year; (4) a job where the employee did not transfer into that job if the employee worked in the state prior to being transferred; and (5) jobs where the employee is provided with certain health benefits.

Senate Bill 910 would provide the credit for taxes paid in the 2007 or 2008 tax year.

Each of the bills is tie-barred to each other and Senate Bills 203, 909, and 910. Senate Bill 203 extends a SBT exemption provided to "spun off" corporations (Delphi and Visteon).

FISCAL IMPACT:

The combined impact of HB4982, HB5460, and HB5461 would reduce Single Business Tax (SBT) revenue by an estimated $439 million. SBT revenue would decline by about $115 million in FY2005-06, $124 million in FY2007-08, $132 million in FY2008-09, and $68 million in FY2009-10. Because of the timing between property taxes levies and due dates, SBT filers would have the ability to earn SBT credits on personal property taxes beginning with the winter 2005 levy and extending through the winter 2009 levy.

House Bill 5459 could reduce SBT revenue in FY2008-09 by as much as $25 million or more, although the impact might also be significantly less.

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