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BILL ANALYSIS

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Senate Bills 569 and 570 (as introduced 6-7-05)
Sponsor: Senator Jason E. Allen
Committee: Finance

Date Completed: 6-29-05

CONTENT

Senate Bills 569 and 570 would amend the Income Tax Act and the Single Business Tax Act, respectively, to delete the requirement that a historic resource be located in an incorporated local unit of government with a population under 5,000 in order for a qualified taxpayer to receive a tax credit for rehabilitation of the historic resource if the local unit has no ordinance under the Local Historic Districts Act.

The Acts allow a qualified taxpayer to claim a credit against either or both taxes for qualified expenditures made for the rehabilitation of a historic resource; the credit is equal to 25% of the qualified expenditures. The resource must meet one of the following criteria during the tax year in which a credit is claimed:

-- The historic resource is located in a designated historic district in a local unit of government with an existing ordinance under the Local Historic Districts Act.
-- The historic resource is located in an incorporated local unit of government that does not have an ordinance under the Local Historic Districts Act and has a population under 5,000.

Under the bill, a local unit of government that does not have an ordinance under the Local Historic Districts Act would not be required to have a population under 5,000.

Senate Bill 569 would be effective for tax years beginning after December 31, 2004.

The Acts define "historic resource" as a publicly or privately owned historic building, structure, site, object, feature, or open space located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act; or that is individually listed on the State Register of Historic Sites or National Register of Historic Places.

"Qualified expenditures" means capital expenditures that qualify for a rehabilitation credit under Section 47(a)(2) of the Internal Revenue Code if the taxpayer is eligible for the credit or, if the taxpayer is not eligible, the qualified expenditures that would qualify under Section 47(a)(2) except that expenditures are made to a historic resource that is not eligible for the credit, that were paid within five years after the certification of the rehabilitation plan that included those expenditures was approved by the State Historic Preservation Office, and that were paid after December 31, 1998, for the rehabilitation of a historic resource. Qualified expenditures do not include capital expenditures for nonhistoric additions to a historic resource except an addition that is required by State or Federal regulations that relate to historic preservation, safety, or accessibility.

MCL 206.266 (S.B. 569)
MCL 208.39c (S.B. 570)

Legislative Analyst: J.P. Finet

FISCAL IMPACT

Senate Bill 569

Based on very preliminary data, it is estimated this bill would reduce income tax revenue by about $4 million annually. This loss in revenue would be distributed as follows: about 75% of this loss would affect the General Fund and about 25% would affect the School Aid Fund.

Senate Bill 570

Based on very preliminary data, it is estimated this bill would reduce single business tax revenue by about $4 million annually. This loss in revenue would affect the General Purpose portion of the General Fund.

Fiscal Analyst: Jay Wortley