



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



## BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 1302 (as introduced 6-13-06)  
Sponsor: Senator Jud Gilbert, II  
Committee: Finance

Date Completed: 6-21-06

**CONTENT**

**The bill would amend the Single Business Tax (SBT) Act to allow a taxpayer eligible to claim a credit for a brownfield redevelopment or historic preservation project that was preapproved or certified before December 31, 2006, and completed in 2008 or 2009, to claim the credit on its SBT return if the Act were repealed.**

**Brownfield Credit**

The Act establishes criteria under which eligible and qualified taxpayers may claim credits of up to 10% of the cost of eligible investment in brownfield property. In order to claim an SBT credit, a qualified taxpayer must obtain approval of the project from the Michigan Economic Growth Authority (MEGA).

If the MEGA chairperson or his or her designee approves a project, the chairperson or designee must issue a preapproval letter stating that the taxpayer is a qualified taxpayer; the maximum total eligible investment for the project on which the credits may be claimed and the maximum total of all credits for the project when it is completed and a certificate of completion is issued; and the project number assigned by MEGA.

Under the bill, a qualified taxpayer that had a preapproval letter issued before December 31, 2006, for a credit approved for a project that was not completed before the date on which the Act was repealed, but was completed before January 1, 2010, could claim the approved amount of the credit against the taxpayer's tax liability on the taxpayer's annual SBT return filed for the taxpayer's last tax year under the Act.

**Historic Preservation Credit**

Under the Act, a qualified taxpayer with a rehabilitation plan certified after December 31, 1998, may credit against the SBT a percentage of the qualified expenditures for the rehabilitation of a historic resource pursuant to the rehabilitation plan in the year in which a certification of completed rehabilitation of the historic resource is issued, provided the certification was issued within five years after the rehabilitation plan was certified by the Michigan Historical Center.

(The credit is 25% of qualified expenditures that are eligible for a rehabilitation credit under the Internal Revenue Code (IRC), reduced by the amount of credit the taxpayer received for the same expenditures under the IRC; or, if the taxpayer is not eligible for the Federal

credit, 25% of the qualified expenditures that would qualify under the IRC if the expenditures were made to an eligible historic resource.)

To be eligible for the credit, the taxpayer must apply to and receive from the Michigan Historical Center certification that the historic significance, the rehabilitation plan, and the completed rehabilitation meet specified criteria.

Under the bill, a qualified taxpayer that had a rehabilitation plan certified before December 31, 2006, for the rehabilitation of a historic resource for which a certificate of completion was not issued before the date on which the Act was repealed but for which a certificate of completion was issued before January 1, 2010, could claim the credit against the taxpayer's tax liability on the taxpayer's annual SBT return filed for the taxpayer's last tax year under the Act.

#### Claiming the Credits

The bill would require that each credit be taken after all other credits the taxpayer claimed for the tax year. Neither credit could exceed the amount that the taxpayer would have been allowed to claim for the 2008 tax year for projects completed in 2008 or for the 2009 tax year for projects completed in 2009.

Under the Act, if either the brownfield redevelopment credit or the historic preservation credit exceeds the taxpayer's tax liability, the amount that is in excess of the tax liability may not be refunded, but may be carried forward to offset the tax liability for the next year for up to 10 years. Under the bill, if the amount of a credit exceeded the taxpayer's tax liability for the tax year, the excess amount would have to be refunded.

MCL 208.38g & 208.39c

#### **BACKGROUND**

Under current law, the SBT Act is scheduled to be repealed effective for tax years that begin after December 31, 2009. In May 2006, Oakland County Executive L. Brooks Patterson submitted to the Secretary of State petitions containing a reported 372,604 signatures in support of an initiative that would make the repeal effective December 31, 2007.

Under the Michigan Election Law, once petitions have been submitted to the Secretary of State, the Board of State Canvassers is notified and must determine if the petitions have been signed by the required number of qualified and registered electors. (For the November 2006 general election, 254,206 valid signatures are needed.) Any law proposed by initiative petition (and certified by the Board of State Canvassers) must be either enacted or rejected by the Legislature without change or amendment within 40 session days from the time the petition is received in the office of the Secretary of the Senate and the Clerk of the House.

If the Legislature rejects an initiative petition, it may propose a different measure on the same subject. Both measures then are submitted to the electors for approval or rejection at the next general election. If two or more measures approved by the electors at the same election conflict, the measure receiving the highest affirmative vote prevails.

An initiated law is not subject to the veto power of the Governor.

Legislative Analyst: J.P. Finet

## **FISCAL IMPACT**

The brownfield and historic preservation tax credits that businesses would be able to claim in 2008 and 2009 under this bill, if the single business tax were repealed for tax years beginning after December 31, 2007, would reduce General Fund/General Purpose revenue by about \$120 million. These credits would be claimed on a business's original 2007 single business tax annual return or on an amended return for 2007. Most of this loss in revenue would be realized in FY 2007-08 and FY 2008-09, but it is possible that some of these credits would not be claimed until FY 2009-10. This bill would have no direct impact on local government.

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.