

Legislative Analysis



MBT: AFFORDABLE HOUSING PROJECTS

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House Bill 5893

Sponsor: Rep. Steve Tobocman

Committee: Tax Policy

Complete to 4-8-08

A SUMMARY OF HOUSE BILL 5893 AS INTRODUCED 3-13-08

The bill would amend the Michigan Business Tax Act to provide a reduction in the tax base for "qualified affordable housing projects." This refers to a project that is a limited dividend housing association meeting specified criteria. The State Housing Development Authority Act governs these associations which, generally speaking, provide housing and related recreational and community facilities for persons of low and moderate income.

Section 201 of the MBT provides for a business income tax. House Bill 5893 would provide a deduction from the tax base for any gain from the sale of any residential rental units to a qualified affordable housing project that agrees to operate the units as rent-restricted units—following federal IRS standards—for at least 15 years. If only some of the units are rent-restricted the deduction would be reduced proportionately. If the purchaser fails to continue operating as a qualified affordable housing project during the 15 years after the deduction is claimed, the amount of the deduction would be added back to the tax liability of the purchaser (based on the number of years it failed to qualify).

Section 203 of the MBT imposes a modified gross receipts tax. House Bill 5893 would provide a deduction from the gross receipts tax base for a qualified affordable housing project equal to gross receipts from rental units owned by the project using a calculation that bases the deduction on a project's proportion of rent-restricted rental units to all of its rental units. The amount of the deduction would be reduced by the amount of limited dividends or other distributions made to the partners, members, or shareholders of the project.

The bill defines the term "qualified affordable housing project" in each section being amended. The term refers to a person that is organized, qualified, and operated as a limited dividend housing association that has a limitation on the amount of dividends or other distributions that can be distributed to its owners in any given year and has reserved funding, subsidies, or operating support through one or more of the following sources and programs:

- Mortgage financing provided by Michigan State Housing Development Authority, the federal Department of Housing and Urban Development, or the federal Department of Agriculture's Rural Housing Service.

- A tax exempt bond issued by a nonprofit organization, local government, or other authority.
- A payment in lieu of tax agreement or other tax abatement.
- Funding from the state or a local government through a federally authorized Home Investments Partnership Program.
- A grant or other funding from a federal home loan bank's affordable housing program.
- Financing or funding under the federal New Markets Tax Credit Program.
- Financing or other subsidies from any similar programs to those cited above that are newly created.

FISCAL IMPACT:

The bill is currently being examined for fiscal impact. The bill would reduce MBT revenue by an unknown amount. All MBT revenue accrues to the General Fund.

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