



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 982 (as introduced 12-6-07)

(as passed by the Senate)

Sponsor: Senator Jason E. Allen

Committee: Economic Development and Regulatory Reform

Date Completed: 12-12-07

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to do both of the following:

- Permit a qualified taxpayer to assign all or a portion of certain brownfield tax credits allowed under the MBT Act or under the Single Business Tax (SBT) Act, rather than just under the SBT Act.**
- Revise the definition of "eligible property" for purposes of these credits.**

Section 437 of the MBT Act (which will take effect on January 1, 2008) and Section 38g of the SBT Act (which will expire on December 31, 2007) provide for certain business tax credits issued by the Michigan Economic Growth Authority for projects on brownfield property. The MBT Act specifies that, for projects approved under Section 38g of the SBT Act, a qualified taxpayer may assign all or a portion of a credit allowed under that section. Under the bill, credits could be assigned for projects approved under Section 38g of the SBT Act or Section 437 of the MBT Act.

Under the MBT Act, "eligible property" means that term as defined in the Brownfield Redevelopment Financing Act (except as provided for a project costing \$2.0 million or less). Under the bill (subject to the same exception), "eligible property" would mean property for which eligible activities (as defined in the Brownfield Redevelopment Financing Act) are identified under a brownfield plan that was used or is currently used for commercial, industrial, or residential purposes, including personal property located on the property, to the extent included in the brownfield plan, and that meets one or more of the following:

- Is in a qualified local governmental unit and is a facility, functionally obsolete, or blighted and includes parcels that are adjacent or contiguous to that property if the development of those parcels is estimated to increase the captured taxable value of that property.
- Is not in a qualified local governmental unit and is a facility, and includes parcels that are adjacent or contiguous to that property if the development of those parcels is estimated to increase the captured taxable value of that property.
- Is tax reverted property owned or under the control of a land bank fast track authority.
- Is not in a qualified local governmental unit, is a qualified facility, and is a facility, functionally obsolete, or blighted, if the eligible activities on the property are limited to the eligible activities identified in Section 2(m)(vi) of the Brownfield Redevelopment Financing Act.
- Is not in a qualified local governmental unit and is a facility, functionally obsolete, or blighted, if the eligible activities on the property are limited to the eligible activities identified in section 2(m)(vi) of the Brownfield Redevelopment Financing Act.

(Under Section 2(m)(vi) of the Brownfield Redevelopment Financing Act, the term "eligible activities" includes specific "additional activities"—e.g., infrastructure improvements, demolition of structures, and lead or asbestos abatement—on eligible property that is a qualified facility that is not located in a qualified local governmental unit and that is a facility, functionally obsolete, or blighted. Proposed Senate Bill 534 (S-2) would add Section 2(m)(vii) to include demolition of structures and lead or asbestos abatement as eligible activities on eligible property that is not located in a qualified local governmental unit and that is a facility, functionally obsolete, or blighted.)

Under Section 437 of the MBT Act, "blighted", "facility", "functionally obsolete", and "qualified local governmental unit" mean those terms as defined in the Brownfield Redevelopment Financing Act. Under that Act, "blighted" means property that meets certain criteria indicating its nonuse.

"Facility" means that term as defined in the Natural Resources and Environmental Protection Act (i.e., any area, place, or property where a hazardous substance in excess of the concentrations that satisfy cleanup criteria has been released, deposited, disposed of, or otherwise comes to be located).

"Functionally obsolete" means that the property is unable to be used adequately to perform the function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or superadequacies in design, or other similar factors that affect the property itself or the property's relationship with other surrounding property.

"Qualified local governmental unit" means that term as defined in the Obsolete Property Rehabilitation Act.

The bill would take effect on January 1, 2008.

MCL 208.1437

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State General Fund revenue by an unknown amount. By expanding the definition of "eligible property", the bill potentially would allow more property to qualify for reduced property taxes. The amount of the reduction would depend upon the specific characteristics of the property affected by the bill, as well as the amount of any eligible investment. Brownfield credits under the Single Business Tax Act were estimated to total \$31.1 million in FY 2007-08. The credits under the Michigan Business Tax Act are computed in the same manner as under the SBT Act. If the bill increased the credits by 5%, it would reduce General Fund revenue by approximately \$1.6 million per year.

The bill is not tie-barred to Senate Bill 534, but does refer to a section of statute proposed by that bill.

The bill would have no fiscal impact on local government.

Fiscal Analyst: David Zin

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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.