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 1567 (as introduced 11-5-08)
Sponsor: Senator John Pappageorge
Committee: Finance

Date Completed: 11-5-08

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to require the Michigan Economic Growth Authority (MEGA) to give preference to mixed use projects that satisfied certain criteria, when issuing MBT credits for brownfield projects that cost more than $10.0 million and are not located in a qualified local governmental unit; and allow a credit for such a project located in a city meeting specific population criteria.

The Act establishes criteria under which qualified taxpayers may claim credits against the MBT for a percentage of eligible investment in brownfield property (property that is contaminated, functionally obsolete, or blighted). In order to claim a credit, a taxpayer must obtain approval of the project from MEGA, which issues a preapproval letter. Separate procedures for approval apply to projects costing $2.0 million or less, more than $2.0 million but less than $10.0 million, or more than $10.0 million.

Every year, MEGA may approve a maximum of 20 projects that cost more than $10.0 million each. Up to three of these projects may be approved for projects that are not in a qualified local governmental unit if the property is a facility for which eligible activities are identified in a brownfield plan or, for one of the three projects, if the property is not a facility but is functionally obsolete or blighted, property identified in a brownfield plan. The bill would remove that one-project limit.

Under the bill, the three projects not in a qualified local governmental unit could be approved under the current criteria or, if the property were obsolete or blighted, a project could be approved for property identified in a brownfield plan and located in a city with a population of 70,000 or more and within 10 miles of another city in this State with a population of 500,000 or more as designated by the U.S. Census Bureau in the 2000 Census.

For the purposes of approving the projects that cost more than $10.0 million and are not located in a qualified local governmental unit, MEGA would have to give preference to mixed use projects that satisfied each of the following:

-- The amount of new construction investment was $50 million or more.
-- The project included at least one aboveground multilevel parking facility or underground parking facility.
-- The project included at least one two-story or greater structure other than a parking facility.

-- The project was regionally transformational.
-- This State and region would benefit from the project.
-- The project addressed a major redevelopment need in the community.
-- The project's requirements required a strong subsidy.

(Under the Act, "eligible property", except as otherwise, means property for which eligible activities are identified under a brownfield plan that was used or is currently used for commercial, industrial, public, or residential purposes, including personal property located on the property, to the extent included in the brownfield plan, and meets other criteria. "Qualified taxpayer" means a taxpayer that owns, leases, or has entered into an agreement to purchase or lease eligible property and certifies that, except as otherwise provided, the Department of Environmental Quality has not sued or issued a unilateral order to the taxpayer to compel response activity on or to the eligible property, or spent any State funds for response activity on or to the eligible property and demanded reimbursement for those expenditures from the qualified taxpayer.)

MCL 208.1437 Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would have no effect on State or local revenue or expenditure but could change the distribution and timing of affected brownfield projects and associated credits. The bill would not affect the total number of credits that can be awarded or restrict the conditions under which credits and projects are awarded. However, the bill would expand the circumstances that allow a project to qualify for credits and establish a preference criterion for the approval of certain credits associated with the projects. The bill also would eliminate the requirement that only one of the three affected projects be a project not in a qualified local governmental unit, not involve a facility, but be functionally obsolete or blighted and identified in a brownfield plan.

Fiscal Analyst: David Zin

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