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

House Bill 5878 (Substitute H-2 as passed by the House)
Sponsor: Representative Joel Sheltrown
House Committee: Agriculture

CONTENT

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

-- Allow the owner of a service station, for tax years beginning after 2008 and ending before 2012, to claim a nonrefundable MBT credit equal to 30% of the cost incurred in the tax year to convert existing fuel delivery systems to provide E85 fuel or qualified biodiesel blends and to create new fuel delivery systems designed to provide E85 fuel or qualified biodiesel blends.
-- Limit the credit to $20,000 per year per taxpayer, and limit the total amount of all credits allowed under the bill to $1.0 million per calendar year.
-- Prohibit a taxpayer from including in the credit the costs to convert or create fuel delivery systems for which the taxpayer received a grant under the service station matching grant program under the Michigan Strategic Fund Act.
-- Provide that a taxpayer could not claim the MBT credit unless the Energy Office had issued a certificate.
-- Provide that a taxpayer's credit could be reduced or terminated, or a percentage of the credit previously claimed could be added back to the taxpayer's MBT liability, if the taxpayer claimed a credit and then stopped using the fuel delivery systems to provide E85 fuel or qualified biodiesel blends within three years of receiving the credit.

Proposed MCL 208.1460 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The new Michigan business tax credit proposed in this bill would be available only for the 2009, 2010, and 2011 tax years and the cost of this proposed tax credit would be capped at $1.0 million for each of these three tax years. However, given the recent rate at which gasoline stations have expanded their operations to sell E85 and biodiesel fuels (with only about 95 gasoline stations in Michigan currently selling E85 fuel) and given the $20,000 limit per credit, it is estimated that the cost of this proposed tax credit would be less than $1.0 million per year. In addition, if gasoline prices remain at their current relatively low level, the demand for these alternative fuels will most likely remain low, which also would keep the potential cost of this credit well below $1.0 million annually. Any loss in revenue under this bill would reduce the General Fund and would have no direct impact on local governments.

Date Completed: 12-9-08 Fiscal Analyst: Jay Wortley