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BILL ANALYSIS

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House Bill 5939 (Substitute H-1 as passed by the House)
Sponsor: Representative Robert Jones
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 12-3-08

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to allow a qualified taxpayer that had an unused carryforward of a credit for rehabilitating a historic resource to use the amount otherwise added to the taxpayer's tax liability because of revocation of certification of completed rehabilitation or sale of the historic resource, to reduce the taxpayer's carryforward.

Under the Act, a qualified taxpayer with a certified rehabilitation plan for the rehabilitation of a historic resource for which a certification of completed rehabilitation has been issued after the end of the taxpayer's last tax year may credit against the MBT an amount for the qualified expenditures for the rehabilitation of the historic resource pursuant to the plan in the year in which the certification of completed rehabilitation is issued, provided that the certification of completed rehabilitation was issued within five years after the rehabilitation plan was certified by the Michigan Historical Center.

If the credit for the tax year and any unused carryforward of the credit exceed the taxpayer's tax liability for the tax year, the excess portion may not be refunded but may be carried forward to offset tax liability in subsequent tax years for 10 years or until used up, whichever occurs first.

If the taxpayer sells the historic resource less than five years after the year in which the credit was claimed, a percentage of the credit amount previously claimed must be added back to the tax liability of the taxpayer in the year of the sale. If a certification of completed rehabilitation is revoked less than five years after the year in which a credit was claimed because the rehabilitation was not undertaken as represented in the rehabilitation plan or unapproved alterations to the completed rehabilitation are made during the five years after the credit was claimed, a percentage of the credit amount previously claimed must be added back to the tax liability of the taxpayer in the year of the revocation.

Under the bill, if a qualified taxpayer had an unused carryforward of a credit, the amount otherwise added back to the qualified taxpayer's tax liability could instead be used to reduce the taxpayer's carryforward.

("Qualified taxpayer" means a person that is an assignee under the Act or either owns the resource to be rehabilitated or has a long-term lease agreement with the owner of the historic resource and that has qualified expenditures for the rehabilitation of the historic resource equal to or greater than 10% of the State equalized valuation of the property.)

MCL 208.1435 Legislative Analyst: Craig Laurie

FISCAL IMPACT

The change proposed in this bill is a technical clarification of the tax ramifications when rehabilitated property for which a historic rehabilitation credit was claimed is sold within five years after the credit was claimed, and therefore the bill would have no fiscal impact on State or local governments.

Fiscal Analyst: Jay Wortley