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BILL ANALYSIS

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House Bill 6496 (Substitute H-3 as reported with amendment)
Sponsor: Representative Steve Tobacman
House Committee: New Economy and Quality of Life
Senate Committee: Commerce and Tourism

CONTENT

The bill would amend the Income Tax Act to do the following in regard to the historic preservation tax credit:

-- Allow a qualified taxpayer who received a certificate of completed rehabilitation after 2008 to forego claiming the credit and transfer the credit, along with ownership of the rehabilitated property, to a new owner.
-- Allow a qualified taxpayer to receive a refund of 90% of the amount of the credit that exceeded his or her tax liability, instead of carrying the excess forward, for projects for which a certificate of completed rehabilitation was issued after 2008 and for which the credit amount was less than $250,000.
-- Delete a requirement that a certification of completed rehabilitation be issued within five years after a rehabilitation plan was certified.
-- Include as qualified expenditures only those expenditures paid or incurred during the time periods prescribed for the Federal historic preservation credit.
-- Require between 20% and 100% of the credit previously claimed to be added back to the tax liability of the qualified taxpayer who received the credit, for tax years beginning after 2008, if a certificate of completed rehabilitation were revoked or if the historic resource were sold or disposed of less than five years after being placed in service.

The bill would take effect on January 1, 2009, and is tie-barred to Senate Bill 973. (Senate Bill 973 (S-3), as passed by the Senate, would amend the Michigan Business Tax (MBT) Act to expand the historic preservation credit against the MBT; allow a qualified taxpayer to assign the credit; allow a qualified taxpayer to receive a refund of 90% of the amount of a credit that exceeded MBT liability, if the credit amount were less than $250,000; and make other change regarding the credit.)

MCL 206.266 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

In the 2006 tax year, roughly 500,000 taxpayers claimed $602,000 in historic preservation income tax credits. Given that 1) the total cost of this credit is very small under current law and 2) this bill does not propose any significant changes in the structure of the credit, it is estimated that the bill would have a very minimal negative impact on income tax revenue, which would affect the General Fund. The bill would not directly affect local governments.

Date Completed: 12-10-08 Fiscal Analyst: Jay Wortley

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.