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 6496 (Substitute H-3 as passed by the House)
Sponsor: Representative Steve Tobacman
House Committee: New Economy and Quality of Life
Senate Committee: Commerce and Tourism

Date Completed: 12-9-08

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.
-- Include a historic resource that was subject to a historic preservation easement among those resources eligible for a credit, if other criteria were met.

The Act allows a qualified taxpayer with a rehabilitation plan certified by the Michigan Historical Center to claim an income tax credit for the amount of qualified expenditures for the rehabilitation of a historic resource. The certification of completed rehabilitation must have been issued within five years after the rehabilitation plan was certified. The credit is equal to 25% of expenditures that qualify for the Federal historic preservation credit (or that would qualify if the historic resource were eligible for the Federal credit). If the expenditures qualify for the Federal credit, that credit must be taken first and the taxpayer's State credit must be reduced by the amount of the Federal credit.

The bill would take effect on January 1, 2009.

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. Therefore, given that 1) the historic preservation credit is a very small credit in terms of the total cost under current law and 2) this bill does not propose to make any significant changes in the structure of this credit, it is estimated that the bill would have a very minimal negative impact on income tax revenue. This very small fiscal impact would affect the General Fund. This bill would not directly affect local governments.

Fiscal Analyst: Jay Wortley

S0708\s6496sa