

HOUSE BILL No. 5125

August 22, 2007, Introduced by Reps. Bieda, Bauer and Condino and referred to the Committee on Tax Policy.

A bill to amend 2007 PA 36, entitled
"Michigan business tax act,"
by amending section 433 (MCL 208.1433).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 433. (1) A taxpayer that is a business located and
2 conducting business activity within a renaissance zone may claim a
3 credit against the tax imposed by this act for the tax year to the
4 extent and for the duration provided pursuant to the Michigan
5 renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, equal
6 to the lesser of the following:

7 (a) The tax liability attributable to business activity
8 conducted within a renaissance zone in the tax year.

9 (b) Ten percent of adjusted services performed in a designated

1 renaissance zone.

2 (c) For a taxpayer located and conducting business activity in
3 a renaissance zone before December 31, 2002, the product of the
4 following:

5 (i) The credit claimed under section 39b of former 1975 PA 228
6 for the tax year ending in 2007.

7 (ii) The ratio of the taxpayer's payroll in this state in the
8 tax year divided by the taxpayer's payroll in this state in its tax
9 year ending in 2007 under former 1975 PA 228.

10 (iii) The ratio of the taxpayer's renaissance zone business
11 activity factor for the tax year divided by the taxpayer's
12 renaissance zone business activity factor for its tax year ending
13 in 2007 under section 39b of former 1975 PA 228.

14 (2) Any portion of the taxpayer's tax liability that is
15 attributable to illegal activity conducted in the renaissance zone
16 shall not be used to calculate a credit under this section.

17 (3) The credit allowed under this section continues through
18 the tax year in which the renaissance zone designation expires.

19 (4) If the amount of the credit allowed under this section
20 exceeds the tax liability of the taxpayer for the tax year, that
21 portion of the credit that exceeds the tax liability shall not be
22 refunded.

23 (5) A taxpayer that claims a credit under this section shall
24 not employ, pay a speaker fee to, or provide any remuneration,
25 compensation, or consideration to any person employed by the state,
26 the state administrative board created in 1921 PA 2, MCL 17.1 to
27 17.3, or the renaissance zone review board created in 1996 PA 376,

1 MCL 125.2681 to 125.2696, whose employment relates or related in
2 any way to the authorization or enforcement of the credit allowed
3 under this section for any year in which the taxpayer claims a
4 credit under this section and for the 3 years after the last year
5 that a credit is claimed.

6 (6) To be eligible for the credit allowed under this section,
7 an otherwise qualified taxpayer shall file an annual return under
8 this act in a format determined by the department.

9 (7) Any portion of the taxpayer's tax liability that is
10 attributable to business activity related to the operation of a
11 casino, and business activity that is associated or affiliated with
12 the operation of a casino, including, but not limited to, the
13 operation of a parking lot, hotel, motel, or retail store, shall
14 not be used to calculate a credit under this section.

15 **(8) FOR PURPOSES OF THIS SECTION, TAXPAYER INCLUDES A PERSON**
16 **SUBJECT TO THE TAX IMPOSED UNDER CHAPTER 2A.**

17 (9) ~~(8)~~—As used in this section:

18 (a) "Adjusted services performed in a designated renaissance
19 zone" means either of the following:

20 (i) Except as provided in subparagraph (ii), the sum of the
21 taxpayer's payroll for services performed in a designated
22 renaissance zone plus an amount equal to the amount deducted in
23 arriving at federal taxable income for the tax year for
24 depreciation, amortization, or immediate or accelerated write-off
25 for tangible property exempt under section 7ff of the general
26 property tax act, 1893 PA 206, MCL 211.7ff, in the tax year or, for
27 new property, in the immediately following tax year.

1 (ii) For a partnership, limited liability company, S
2 corporation, or individual, the amount determined under
3 subparagraph (i) plus the product of the following as related to the
4 taxpayer if greater than zero:

5 (A) Business income.

6 (B) The ratio of the taxpayer's total sales in this state
7 during the tax year divided by the taxpayer's total sales
8 everywhere during the tax year.

9 (C) The renaissance zone business activity factor.

10 (b) "Casino" means a casino regulated by this state pursuant
11 to the Michigan gaming control and revenue act, the Initiated Law
12 of 1996, MCL 432.201 to 432.226.

13 (c) "New property" means property that has not been subject
14 to, or exempt from, the collection of taxes under the general
15 property tax act, 1893 PA 206, MCL 211.1 to 211.157, and has not
16 been subject to, or exempt from, ad valorem property taxes levied
17 in another state, except that receiving an exemption as inventory
18 property does not disqualify property.

19 (d) "Payroll" means total salaries and wages before deducting
20 any personal or dependency exemptions.

21 (e) "Renaissance zone" means that term as defined in the
22 Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to
23 125.2696.

24 (f) "Renaissance zone business activity factor" means a
25 fraction, the numerator of which is the ratio of the average value
26 of the taxpayer's property located in a designated renaissance zone
27 to the average value of the taxpayer's property in this state plus

1 the ratio of the taxpayer's payroll for services performed in a
2 designated renaissance zone to all of the taxpayer's payroll in
3 this state and the denominator of which is 2.

4 (g) "Tax liability attributable to business activity conducted
5 within a renaissance zone" means the taxpayer's tax liability
6 multiplied by the renaissance zone business activity factor.

7 Enacting section 1. This amendatory act takes effect January
8 1, 2008.

9 Enacting section 2. This amendatory act does not take effect
10 unless Senate Bill No. ____ or House Bill No. 5126(request no.
11 04811'07) of the 94th Legislature is enacted into law.