

Legislative Analysis



MBT: RAISE CAP FOR HIGH IMPACT HISTORIC RESOURCE CREDIT

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5479 (Substitute H-2)

Sponsor: Rep. Bert Johnson

1st Committee: Tax Policy

2nd Committee: New Economy and Quality of Life

Complete to 10-22-09

A SUMMARY OF HOUSE BILL 5479 AS REPORTED FROM HOUSE COMMITTEE

House Bill 5479 would raise the \$3 million-per-tax-year cap imposed on the credit available under the Michigan Business Tax for expenditures on the renovation of a "high community impact" historic resource, but only for a project that meets certain specified criteria, as described later. (Only a project in Wayne County would appear to qualify under these criteria, and the project would have to involve an historic resource at least 80 years old and consisting of at least 500,000 total square feet. The credit is intended for the renovation of a historic building by the College of Creative Studies in Detroit. See Background Information for additional information.)

As reported from committee, the bill would impose a total cap on the amount of credits claimed for all years for the high community impact project affected by the bill at \$4.6 million.

High Community Impact Credits

The Michigan Business Tax Act offers a tax credit for the preservation of historic property. The credit was carried over from the Single Business Tax, which the MBT replaced. The credit was revised substantially by legislation enacted in 2008. One of the changes provides for a new kind of credit aimed at projects with "high community impact"; that is, projects with significantly greater historic, social, and economic impact than others. Under Public Act 448 of 2008, the director of the Department of History, Arts, and Libraries (HAL), subject to the approval of the president of the Strategic Fund and the State Treasurer, can approve three "high-impact" credits during 2009, of up to 15 percent of qualified expenditures, and two additional credits of up to 15 percent during 2010, 2011, 2012, and 2013. There is a cap of \$3 million per tax year for each of these credits. If the amount of a credit exceeds the cap, it is carried forward to offset tax liability in future years until used up.

Two of the three credits available in the 2009 calendar year for high community impact projects must be for applications that meet all the criteria in one of two alternative sets of criteria laid out in the MBT Act. House Bill 5479 would modify the first set of criteria and then specify that the \$3 million-per-year cap would not apply to any credit meeting those criteria. Instead, a total credit cap of \$4.6 million would be imposed.

Criteria for Credit Subject to New Annual Cap

Under House Bill 5479, a project must meet all of the following criteria: (1) the historic resource must be at least 70 years old (as opposed to the current 80 years old); (2) the historic resource must consist of at least 500,000 total square feet (in contrast to the currently required 75,000 total square feet); (3) the historic resource must be located in a county with a population of more than 1.5 million; and (4) the resource must be located in a city with an unemployment rate at least two percent higher than the average unemployment rate in the state. (The fifth criterion currently in the act would be removed -- that made the provision apply to a historic resource receiving a federal earmark appropriation and that is the former home of a professional sports team.) Only a project in Wayne County would qualify under these criteria.

[Note: The act also requires the HAL director to consider all of the following criteria for any high community impact historic resource credit:

- The importance of the historic resource to the community.
- If the rehabilitation for the historic resource will act as a catalyst for additional rehabilitation or revitalization of the community.
- The potential that the rehabilitation of the historic resource will have for creating or preserving jobs and employment.
- Other social benefits the rehabilitation will bring.
- The amount of local community and financial support for the rehabilitation.
- The taxpayer's financial need for the additional credit.
- Whether the taxpayer is eligible for the credit allowed under Section 47(a)(2) of the federal Internal Revenue Code.
- Any other criteria that the department director, and Strategic Fund president, and the state treasurer consider appropriate.]

FISCAL IMPACT:

The bill proposes a one-time lifting of the \$3 million-per-tax-year credit limit for a specific high impact historic resource credit and imposes a new overall limit of \$4.6 million. MBT revenue accrues primarily to the General Fund.

BACKGROUND INFORMATION:

According to committee testimony, the credit is intended for the redevelopment of the historic former Argonaut Building in Detroit's New Center area by the College of Creative Studies. The building was designed by Albert Kahn. This 670,000-square-foot building is a former General Motors vehicle design headquarters and has been renamed the A. Alfred Taubman Center for Design Education. The Taubman Center, according to the CCS website "is an integrated educational community, focused on art and design, extending from middle school through graduate school and beyond into the professional realm. The \$145 million redevelopment of the Taubman Center, which incorporated many environmentally sustainable green practices, addresses CCS's pressing need for new programs, academic space and student housing, and will be a major contributor to

economic development, neighborhood revitalization and public education improvement in Detroit." The credit proposed for the College of Creative Studies project was originally designed for the redevelopment of Tiger Stadium, which has now been demolished. The change in criteria in the bill reflects the proposed switching of the credit from the Tiger Stadium site to the Taubman Center site.

POSITIONS:

The Department of Treasury supports the bill as amended. (10-21-09)

A representative from the College of Creative Studies testified in support of the bill. (10-21-09)

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.