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BILL ANALYSIS

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Senate Bill 944 (as introduced 10-22-09)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

Date Completed: 10-27-09

CONTENT

The bill would amend the Michigan Business Tax Act to revise one set of criteria for a historic rehabilitation credit for a high community impact rehabilitation plan. It also would exempt a credit for a high community impact rehabilitation plan under the revised criteria from the Act's $3.0 million annual cap for a historic rehabilitation credit.

High Community Impact Rehabilitation Plan Criteria

Under the Act, a taxpayer that owns and rehabilitates a historic resource may claim a credit against the Michigan Business Tax (MBT) for a percentage of the taxpayer's qualified expenditures, if the taxpayer receives a certificate of completed rehabilitation and other criteria are met. Typically, the credit equals 25% of qualified expenditures (reduced by the amount of a Federal historic preservation credit). If the credit for a tax year exceeds the taxpayer's MBT liability, the excess may not be refunded but may be carried forward to offset tax liability for up to 10 subsequent tax years.

Subject to the approval of the president of the Michigan Strategic Fund and the State Treasurer, the Director of the Department of History, Arts, and Libraries (HAL), or the Director's designee, may approve three credits during the 2009 calendar year of up to 15% of the qualified taxpayer's qualified expenditures, and two additional such credits during the 2010, 2011, 2012, and 2013 calendar years, for certain rehabilitation plans that the HAL Director or his or her designee determines to be high community impact rehabilitation plans that will have significantly greater historic, social, and economic impact than other rehabilitation plans described in the Act. (Executive Order No. 2009-36, which abolished the Department of History, Arts, and Libraries, transferred the HAL Director's authority to approve these credits to the Michigan State Housing Development Authority.)

In addition to meeting other criteria specified in the Act, two of the three credits available in 2009 for a high community impact rehabilitation plan must be for an application meeting either of the following sets of criteria:

-- The historic resource is at least 80 years old; includes at least 75,000 total square feet; is located in a county with a population of more than 1.5 million; is located in a city with an unemployment rate that is at least 2% higher than the current State average unemployment rate at the time of the application; receives a Federal earmark appropriation; and is the former home of a former professional sports team.

-- The historic resource is at least 85 year old; includes at least 120,000 total square feet; is located in a county with a population of more than 400,000 and less than 500,000; is located in a city with a population of more than 100,000 and less than 125,000; and is located in a city with an unemployment rate that is at least 2% higher than the current State average unemployment rate at the time of the application.

The bill would change the first set of criteria described above by requiring that the historic resource be at least 70, rather than 80, years old; requiring it to be at least 500,000, rather than 75,000, total square feet; and deleting the requirements that the historic resource receive a Federal earmark appropriation and be the former home of a former professional sports team.

Maximum Credit

Currently, the maximum amount of credit that a taxpayer or an assignee may claim during a tax year for a high community impact rehabilitation plan is $3.0 million. If the amount of the credit approved in the taxpayer's certificate of completed rehabilitation is greater than that amount, the portion that exceeds the cap must be carried forward to offset tax liability in subsequent tax years until used up. Under the bill, the $3.0 million annual cap would not apply to a credit approved for a high community impact rehabilitation plan under the revised criteria proposed by the bill.

MCL 208.1435 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would change the timing and distribution of a credit claimed under the Michigan Business Tax. If the credit were to exceed $3.0 million, the bill would reduce revenue by the amount over $3.0 million in the first year the credit was claimed and increase revenue in subsequent years by eliminating any carryover of the excess amount.

Fiscal Analyst: David Zin

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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.