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House Bill 5479 (Substitute S-2 as reported) Sponsor: Representative Bert Johnson First House Committee: Tax Policy

Second House Committee: New Economy and Quality of Life

Senate Committee: Commerce and Tourism

## **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to do the following in regard to the historic rehabilitation credits for high community impact rehabilitation plans:

- -- Authorize one of the two additional credits available during 2010 to be used in 2009, and allow one of the two additional credits available during 2011 to be used in 2010.
- -- Revise one set of criteria, and establish a new set of criteria, for credits approved in 2009.
- -- Establish criteria for the credit from 2011 that could be approved in 2010.

Under the Act, a qualified taxpayer may claim an MBT credit for a percentage of qualified expenditures for the rehabilitation of an historic resource. Typically, the credit equals 25% of qualified expenditures (reduced by the amount of a Federal credit) and may be carried forward for up to 10 tax years. Three credits for up to 15% of qualified expenditures are available during 2009 and two additional credits are available during 2010, 2011, 2012, and 2013 for high community impact rehabilitation plans. The bill would allow one of the credits available during 2010 to be approved in 2009, and one of the credits available during 2011 to be approved in 2010.

The bill would revise criteria for one of the 2009 credits, and establish new criteria for one of the 2009 credits, including the one from 2010 that could be used in 2009, for projects in Detroit. It also would add criteria for a credit available in 2010, including the credit from 2011 that could be used in 2010, for a project in Grand Rapids.

MCL 208.1435 Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bill would change the timing and distribution of credits claimed under the Michigan Business Tax. Under current law, the number of credits is limited each year and the maximum value is capped at \$3.0 million, with any credit in excess of liability carried forward to future years. The bill would allow the number of credits in 2009 and 2010 to be increased, by reducing the credits available in 2010 and 2011 by the same number. The bill also would expand the circumstances under which a project could qualify as a high community impact rehabilitation plan.

The net effect of the bill's changes is unknown, but it is likely that the bill would likely reduce FY 2009-10 revenue by \$3.0 million and increase revenue in later fiscal years.

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Allowing a credit to shift from 2010 to 2009 would reduce FY 2009-10 revenue by approximately \$3.0 million, assuming the credit was not carried forward. The reduced number of credits available in 2011 would increase FY 2011-12 revenue by approximately \$3.0 million, assuming an alternative recipient would not have carried any portion of the credit forward. Any changes would affect General Fund revenue.

Date Completed: 12-10-09 Fiscal Analyst: David Zin

## Floor\hb5479

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.