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House Bill 6235 (Substitute H-1 as passed by the House)

Sponsor: Representative Richard LeBlanc

House Committee: Tourism, Outdoor Recreation and Natural Resources

Senate Committee: Finance

Date Completed: 6-16-10

## **CONTENT**

The bill would amend the Michigan Business Tax Act to revise the credit that an eligible taxpayer may claim for capital expenditures on a motorsports entertainment complex, by doing the following:

- -- Increasing the amount of the credit for the 2012 tax year (currently the last year of the credit).
- -- Extending the credit through the 2016 tax year.
- -- Requiring a taxpayer to spend an additional \$32.0 million in capital expenditures before 2017, including at least \$10.0 million after 2010 and before 2013, to receive the extended credit.

Under the Act, for tax years beginning on or after January 1, 2008, and ending before January 1, 2013, an eligible taxpayer may claim a credit against the Michigan Business Tax (MBT) equal to the amount of capital expenditures on infield renovation, grandstand and infrastructure upgrades, and any other construction and upgrades. The credit may not exceed the taxpayer's MBT liability or the following amount, whichever is less:

- -- For the 2008, 2009, or 2010 tax year: \$2.1 million.
- -- For the 2011 tax year: \$1,580,000.
- -- For the 2012 tax year: \$1,050,000.

Under the bill, the credit for the 2012 tax year could not exceed \$1,580,000 or the amount of the taxpayer's MBT liability, whichever was less.

For tax years beginning on or after December 1, 2012, and ending before January 1, 2017, the credit for capital expenditures could not exceed \$1,580,000 or the taxpayer's MBT liability before the calculation of the credit allowed for traffic safety expenditures incurred in hosting motorsports events, whichever was less.

(Under the Act, in addition to the credit for capital expenditures, an eligible taxpayer may claim a credit equal to the necessary expenditures incurred in this State, including professional fees, additional police officers, and traffic management devices, to ensure traffic and pedestrian safety while hosting the requisite motorsports events each year. The amount of the credit is 50% of those expenditures for the 2009 tax year and 100% of the expenditures for the 2010 and subsequent tax years.)

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To be eligible to claim the capital expenditure credit under current law, a taxpayer must spend at least \$30.0 million on capital expenditures before January 1, 2011. Under the bill, to be eligible to claim the credit for tax years beginning after 2012 and before 2017, a taxpayer would have to spend, at a minimum, an additional \$32.0 million in capital expenditures after December 31, 2010, and before January 1, 2016. Of that amount, at least \$10.0 million would have to be spent before January 1, 2013.

(For purposes of this credit, an "eligible taxpayer" is any of the following:

- -- A person who owns and operates a motorsports entertainment complex and has at least two days of motorsports events each calendar year that are comparable to NASCAR Nextel Cup events held in 2007 or their successor events.
- -- A person who is the lessee and operator of a motorsports entertainment complex or the lessee of the land on which such a complex is located and operates that complex.
- -- A person who operates and maintains a motorsports entertainment complex under an operation and management agreement.)

MCL 208.1409 Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bill would reduce General Fund revenue by approximately \$530,000 in tax year 2012 and by \$1,580,000 in tax years 2013 through 2016. These reductions would be in addition to any reductions due to the investment tax credit the taxpayer would receive for making the investments necessary to qualify for the credits under the bill.

Fiscal Analyst: David Zin

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.