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BILL ANALYSIS

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Senate Bill 383 (as reported without amendment)
Sponsor: Senator Mike Kowall
Committee: Economic Development

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to specify that agreements for certain film industry tax credits could provide credits in an amount *up to* a percentage of expenditures or investments, rather than for a specific percentage of those expenditures and investments. The bill also would require a postproduction certificate of completion or an expenditure certificate to include the amount of a credit.

The Act allows the Michigan Film Office, with the concurrence of the State Treasurer, to enter into various agreements providing an MBT credit for certain expenditures. An agreement may allow a company to claim a credit of 42% of direct production expenditures for a State certified qualified production in a core community, 40% of direct production expenditures for a production in another part of the State, and 30% for qualified personnel expenditures. Under the bill, an agreement could provide for a tax credit of *up to* those percentages.

The Act also authorizes the Film Office, until September 30, 2015, to enter into an agreement allowing a taxpayer to claim an MBT credit equal to 25% of the taxpayer's base investment in a qualified film and digital media infrastructure project; or an agreement allowing an eligible production company to claim a credit equal to 50% of its qualified job training expenditures. Under the bill, an agreement could allow a taxpayer or eligible production company to claim a credit of *up to* 25% of its base investment or *up to* 50% of its qualified job training expenditures, as applicable.

MCL 208.1455-208.1459 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase General Fund revenue by an unknown amount. The bill would allow credits granted under the Michigan Business Tax's media incentives to be granted at lower levels. These credits are refundable and the bill would increase the General Fund only to the extent that any expenditures were subsidized at rates lower than those specified under current law. The actual amount of any increase would depend on the magnitude of any reduced rates.

Because the MBT Act is to be repealed effective January 1, 2012, for all taxpayers not currently holding on that date an unpaid credit under various MBT Act provisions, the impact of the revenue increase would be expected to decline significantly beginning in FY 2012-13.

Date Completed: 5-31-11 Fiscal Analyst: David Zin