

Legislative Analysis



REVISE “QUALIFIED RENAISSANCE ZONE” FOR INCOME TAX DEDUCTION

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Senate Bill 623 as reported from committee w/o amendment

Sponsor: Sen. Ken Horn

House Committee: Tax Policy

Senate Committee: Finance

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 103 of 2018)

Complete to 2-28-18

SUMMARY:

Senate Bill 623 would amend the Income Tax Act to change the definition of “qualified renaissance zone” for purposes of allowing an income tax deduction for a resident of a renaissance zone.

Currently under the act, a taxpayer can deduct, to the extent included in adjust gross income, income earned or received while a resident of a *qualified renaissance zone*, including interest, dividends, capital gains, and online lottery winnings, with some restrictions. The taxpayer must be a resident of the zone for 183 consecutive days and have a gross income of less than \$1.0 million for any tax year in which the deduction is made.

The act defines *qualified renaissance zone* as only those geographic areas in a renaissance zone that were designated as a renaissance zone under the Michigan Renaissance Zone Act before January 1, 2012, and does not include any portion of a renaissance zone for which an extension or renewal is approved after December 31, 2011.

SB 623 would add an extension or renewal granted under section 4(8) of the Michigan Renaissance Zone Act to the definition of “qualified renaissance zone.” That is, under the bill, a zone or portion of a zone whose renaissance zone status was extended or renewed under section 4(8) of the Michigan Renaissance Zone Act would be a *qualified renaissance zone*, and its taxpayers would be eligible for the income tax deduction.

Section 4(8) of the Michigan Renaissance Zone Act (MCL 125.2684) allows for a possible 8-year extension of renaissance zone status for a zone that meets certain criteria. Specifically, the zone is required to have an existing 7-year extension and be located in a county with a population of more than 190,000 and less than 240,000. This applies to Saginaw County.

MCL 206.31a

FISCAL IMPACT:

The provisions of the bill would reduce individual income tax revenues by an unknown, but likely negligible, amount. Any reduction in revenues would be entirely borne by the

general fund because the Michigan Renaissance Zone Act requires the state to reimburse the School Aid Fund for all revenues lost as a result of the establishment of renaissance zones. The fiscal impact would depend upon the specific characteristics of the taxpayers affected.

The bill would authorize continued eligibility for the renaissance zone income tax exemption consistent with changes made under 2014 PA 27. Under that act, a qualified local governmental unit in Saginaw County was authorized to seek an 8-year extension of the renaissance zone status in addition to the previously granted 7-year extension. This bill would ensure that the exemption would apply for the entire extension.

HOUSE COMMITTEE ACTION:

The House Committee on Tax Policy reported the Senate-passed version of the bill without amendment.

BRIEF DISCUSSION:

According to testimony, Senate Bill 623 is intended to address one renaissance zone in the city of Saginaw and ensure that the tax benefits of a renaissance zone exist for a specific development within the zone. Reportedly, without the tax benefits, the development will be negatively impacted, as it has been planned and advertised as a renaissance zone.

The renaissance zone in question was given a 15-year extension through two separate extensions, one of which occurred after 2011. The individual and business tax changes in 2011 eliminated credits and exemptions for renaissance zones, but grandfathered in those attached to existing zones. Since the renaissance zone's second extension occurred after 2011, it was determined to no longer be eligible for the tax benefits. Proponents note that the second extension was provided through legislative action, so a further legislative action is needed to ensure that the tax benefits remain in place.

POSITIONS:

Representatives of the following entities testified in support of the bill:

Michigan Department of Treasury (2-21-18)

Saginaw Future (2-21-18)

A representative of the Saginaw County Chamber of Commerce indicated support for the bill. (2-21-18)

Legislative Analyst: Patrick Morris

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