Legislative Analysis

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EXTEND TIME PROVIDED TO COMPLETE CERTAIN BROWNFIELD PROJECT

House Bill 4420 as introduced
Sponsor: Rep. Jim Tedder
Committee: Tax Policy
Complete to 5-23-17

SUMMARY:

House Bill 4420 would amend Section 437 of the Michigan Business Tax Act (MCL 208.1437), which deals with brownfield tax credits, to allow a project meeting specified criteria to extend the duration of time to complete the project and still be eligible for a pre-approved credit.

[While the Michigan Brownfield Tax Credits Program no longer issues new awards, existing credits are still honored; these credits began under the Single Business Tax, were continued under the Michigan Business Tax, and certain "certificated" credits can continue to be claimed under the MBT, even with the advent of the new Corporate Income Tax, until they expire.]

Currently under Section 437(9) of the act, a taxpayer can petition the Michigan Economic Growth Authority (MEGA)[1] to make amendments to a project or to a pre-approval letter at any time before a certificate of completion is issued, including amendments to extend the duration of time to complete the project, as long as that extension does not exceed 10 years from the date of the pre-approval letter.

House Bill 4420 would provide a longer extension if a project met the following criteria:

- Was approved prior to December 31, 2008, for 20% of the taxpayer's qualified investment and a total of less than $2 million for all credits for that project; and
- That project has received a funding reservation for an allocation of the federal low-income housing tax credit administered by the Michigan State Housing Development Authority (MSHDA) of more than $1.1 million.

In that case, under the bill, that project "may be amended to extend the duration of time provided to complete the project to the placed-in-service date of the carryover allocation agreement for the federal low-income housing tax credit."

[1] The Michigan Strategic Fund Board now carries out the functions of the MEGA Board, abolished in 2012.

FISCAL IMPACT:

Assuming a taxpayer would not qualify for a brownfield tax credit but for the changes provided for in the bill, the provisions of the bill would have a negative fiscal impact equal to the value of the credits a taxpayer qualified for when compared to current law.

Legislative Analyst: Patrick Morris
Fiscal Analyst: Ben Gielczyk