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BILL ANALYSIS



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Senate Bill 623 (as enacted)
Sponsor: Senator Ken Horn
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 103 of 2018

Date Completed: 1-29-19

CONTENT

The bill amended the Income Tax Act to allow an extension or renewal granted to certain Michigan renaissance zones to be included in a determination of whether a person is a resident of a renaissance zone for purposes of an income tax deduction.

Under Section 31a of the Act, for the 2012 tax year and each subsequent tax year, and to the extent and for the duration provided in the Michigan Renaissance Zone Act, to determine taxable income, a qualified taxpayer may deduct, to the extent included in adjusted gross income, an amount equal to the sum of all of the following:

- Income earned or received during the time that the qualified taxpayer was a resident of a qualified renaissance zone, except as provided in the following three items.
- Interest and dividends received in the tax year during the period that the qualified taxpayer was a resident of a qualified renaissance zone.
- Capital gains received in the tax year prorated based on the percentage of time that the asset was held by the qualified taxpayer while he or she was a resident of the qualified renaissance zone.
- Income received by the qualified taxpayer from winning a State-sponsored on-line or instant lottery game if the date of the drawing for the on-line game was after the taxpayer became a resident of a qualified renaissance zone, or if the taxpayer was a resident of a qualified renaissance zone on the validation date of the lottery ticket for the instant game.

"Qualified renaissance zone" means those geographic areas in a renaissance zone that were designated as a renaissance zone under the Michigan Renaissance Zone Act before January 1, 2012. A qualified renaissance zone does not include any portion of a renaissance zone for which an extension or renewal is approved after December 31, 2011. The bill creates an exception to this provision for an extension or renewal granted under Section 4(8) of the Act.

(Under Section 4(8) of the Renaissance Zone Act, if a qualified local governmental unit in which a renaissance zone designated under Section 8 received approval by the Michigan Strategic Fund to extend the duration of the renaissance zone status for a period of seven years and that zone was located in a county with a population of more than 190,000 and less than 240,000 according to the most recent decennial census, that qualified local governmental unit could resubmit an application to the Michigan Strategic Fund before June 30, 2014, to extend the duration of renaissance zone status for an additional eight years, not to exceed 15 years' total extension. Section 8 authorized the State Administrative Board to designate up to nine renaissance zones in the State. Not more than six could be in urban areas and not more than four could be in rural areas. Section 8 also allowed the Board to designate

additional renaissance zones in one or more qualified local governmental units that contained a closed military installation.)

As used in Section 31a of the Income Tax Act, "qualified taxpayer" means a taxpayer that is a resident of a qualified renaissance zone and has gross income not exceeding \$1.0 million for any tax year for which the taxpayer claims a credit under Section 31a.

"Resident" means an individual domiciled in an area that is a qualified renaissance zone for a period of 183 consecutive days. A taxpayer may begin calculating the 183-day period during the 183 days immediately before the designation of the area as a qualified renaissance zone. After a taxpayer has completed the 183-day residency requirement, he or she is considered to have been a resident of that qualified renaissance zone beginning from the first day used to determine if the requirement has been met.

The bill took effect on April 5, 2018.

MCL 206.31a

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill keeps eligibility for the renaissance zone income tax deduction consistent with amendments to the Renaissance Zone Act made by Public Act 27 of 2014. While the actual impact will be determined by the specific characteristics of the affected properties, because the changes will apply to a single renaissance zone located in Saginaw County, the potential impact on General Fund revenue is expected to be minimal.

Fiscal Analyst: David Zin

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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.