

# Legislative Analysis



## TAX CREDIT FOR BOTTLE DEPOSITS

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<http://www.house.mi.gov/hfa>

**House Bill 6267 as introduced**  
**Sponsor: Rep. Brandt Iden**  
**Committee: Regulatory Reform**  
**Complete to 11-10-20**

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

### SUMMARY:

House Bill 6267 would amend Parts 1 and 2 of the Income Tax Act to provide a credit against the tax for distributors who originate bottle deposits.

Under the bill, for tax years that begin after December 31, 2020, a taxpayer that is a *distributor* who originates a deposit on a *beverage container* could claim a credit against the tax imposed under Part 1 or Part 2, as applicable, that is equal to the sum of the following:

- Three cents per *returnable container* sold during the tax year. (Beginning with the 2022 tax year, the amount of this credit would be adjusted annually by the percentage increase in the United States Consumer Price Index for all urban consumers the immediately preceding calendar year.)
- The refund value per returnable container over-redeemed during the tax year as established under section 2 of 1976 IL 1 (commonly known as the bottle deposit law).

For purposes of the bill, *beverage container*, *distributor*, and *returnable container* would mean those terms as defined in section 1 of the bottle deposit law.<sup>1</sup>

The taxpayer would have to attach the report required under section 3a of the bottle deposit law to the annual return on which a credit was claimed.<sup>2</sup> If the credit exceeded the tax liability of the taxpayer for the tax year, the portion exceeding the tax liability would be refunded.

A distributor that is a partnership, limited liability company, or subchapter S corporation could claim the credit under Part 1 against the partner's, member's, or shareholder's tax liability based on the partner's, member's, or shareholder's proportionate share of ownership or based on an alternative method approved by the Department of Treasury.

Proposed MCL 206.279 and 206.679

### FISCAL IMPACT:

As written, the bill would reduce combined individual and corporate income tax revenues by an estimated \$120.0 million per year. Between 2015 and 2018, an average of 3.9 billion returnable containers were sold annually, with an estimate of 4.0 billion for 2019.

<sup>1</sup> See <https://www.legislature.mi.gov/documents/mcl/pdf/mcl-445-571.pdf>

<sup>2</sup> This is an annual report of the distributor's deposits originated and refunds paid out in the previous year.  
See <https://www.legislature.mi.gov/documents/mcl/pdf/mcl-445-573a.pdf>

Taxpayers that are C corporations would claim a credit under the corporate income tax, and the entire revenue reduction would be borne by the general fund.

For filers that are not C corporations, the credit would be claimed under the individual income tax. If the credit increased refunds and reduced net income tax collections, the general fund would absorb the revenue loss. However, to the extent that a taxpayer reduces quarterly or annual payments in anticipation of receiving the credit, about 23.8% of the revenue loss would be borne by the School Aid Fund.

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