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SFA BILL ANALYSIS

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Senate Bill 269 (Substitute S-8 as reported by the Committee of the Whole)
Sponsor: Senator Bill Schuette
Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Single Business Tax Act to specify that an eligible taxpayer could claim a single business tax (SBT) credit for a single project as provided under House Bill 5443, and a qualified taxpayer who had a preapproval letter issued after December 31, 1999, and before January 1, 2003, or an assignee under the bill could claim an SBT credit equal to 10% of the eligible investment paid or accrued by the qualified taxpayer on an eligible property if the total of all credits for the property were $1 million or less, or up to 10% of the cost of the eligible investment if the total credits for that property were over $1 million but not over $30 million.

If a project would be $10 million or less, a taxpayer could apply to the State Treasurer for approval of the project or a credit, or both. The Treasurer could not approve more than 30 projects or 30 credits under this provision each year, and the total of all credits for a project could not exceed $1 million.

If a project would be for more than $10 million, a taxpayer would have to apply to the Michigan Economic Growth Authority (MEGA) for approval of the project or a credit or both, with the concurrence of the State Treasurer. The total of all credits for a project under this provision could not exceed $30 million.

The Authority could approve not more than 15 projects for which the total of all credits allowed for the project were more than $1 million but not more than $30 million. Of those 15 projects, the total of all credits for each project could be more than $10 million for up to three projects (including one or more for eligible investment on eligible property for construction that began after January 1, 2000), and up to three projects could be approved for projects that were not in a qualified local governmental unit if the property were a facility.

("Qualified taxpayer" would refer to a taxpayer who owned or leased eligible property and who certified that the Department of Environmental Quality had not sued or issued an unilateral order to the taxpayer under Part 201 of the Natural Resources and Environmental Protection Act to compel response activity on or to the eligible property, or spent any State funds for response activity on or to the eligible property and demanded reimbursement for those expenditures from the qualified taxpayer. "Eligible property" would mean property for which eligible activities were identified in a brownfield plan that was used for commercial, industrial, or residential purposes in a "qualified local governmental unit" (as defined in House Bill 5444) and that was a facility, functionally obsolete, or blighted; a facility that was not in a qualified local governmental unit (for one of the three projects between $10 million and $30 million); or, if the total of all credits for a project on that facility were $1 million or less, a facility for which eligible activities were identified in a brownfield plan. "Eligible taxpayer" would mean a taxpayer who met criteria identified in House Bill 5443.)

The bill is tie-barred to House Bill 4400, which would amend the Brownfield Redevelopment Financing Act to redefine "eligible property"; House Bill 5443, which would amend the Michigan Economic Growth Authority Act to expand the businesses eligible for tax credit agreements; and House Bill 5444, which would create the "Obsolete Property Rehabilitation Act".

Proposed MCL 208.38g Legislative Analyst: N. Nagata

FISCAL IMPACT

It is very difficult to estimate the fiscal impact of Senate Bill 269 (S-8) and House Bill 5443 (S-2) because it is not known how many of these single business tax credits would be claimed or how much the average credit would be. If the maximum number of brownfield and high-tech projects, as proposed in these bills, were granted, then these credits would cost an estimated $140 million in FY 2000-01 and $154 million in FY 2001-02. However, based on the fact that only about 60% of the maximum number of the current-law MEGA credits have been granted and only six of the current-law brownfield credits have so far been claimed, it is very unlikely that the maximum number of credits contained in these bills would be granted. Therefore, assuming that more modest levels of credits would be claimed, it is estimated that the brownfield and high-tech credits contained in these bills would cost about $36 million in FY 2000-01 and $42 million in FY 2001-02. The third credit proposed in these bills is designed to provide a special tax credit to General Motors if it builds a new plant to replace an existing plant in the Lansing area. It is not known at this time how much single business tax revenue would be foregone due to this credit. Any revenue lost due to these single business tax credits would affect General Fund/General Purpose revenue.

Date Completed: 4-6-00 Fiscal Analyst: J. Wortley