

Legislative Analysis



TAX CREDITS FOR EMERALD ASH BORER TREE REMOVAL

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House Bill 5709
Sponsor: Rep. Fran Amos

House Bill 5710
Sponsor: Rep. Tom Meyer

House Bill 5711
Sponsor: Rep. Philip LaJoy

Committee: Agriculture and Resource Management
Complete to 5-24-04

A SUMMARY OF HOUSE BILLS 5709-5711 AS INTRODUCED 3-30-04

The bills would provide credits against the income tax and single business tax related to the removal and replacement of ash trees infested by an Emerald Ash Borer. The credits would be available for tax years beginning after December 31, 2003.

House Bill 5709 would amend the Single Business Tax Act (MCL 208.37g) to provide a taxpayer with a credit against the single business tax if the taxpayer sells trees, below market price, to replace ash trees infested with emerald ash borer to a municipality. The credit would equal \$10,000 or the difference between the market price or the replacement trees and the amount paid by the municipality, whichever is less. The credit would be nonfundable, although the amount of the credit that exceeds the taxpayer's tax liability could carry forward to offset the tax liability in subsequent tax years, up to 10 years or until the excess credit is exhausted, whichever occurs first.

House Bill 5710 would amend the Single Business Tax Act (MCL 208.37f) to provide a taxpayer with a credit against the single business tax if the taxpayer removes ash trees of another person infested by an EAB and charges that person an amount below the actual cost of removal. The credit would equal \$5,000 or the difference between actual cost incurred by the taxpayer and the amount paid by the owner of the removed trees, whichever is less. The credit would be nonfundable, although the amount of the credit that exceeds the taxpayer's tax liability could carry forward to offset the tax liability in subsequent tax years, up to 10 years or until the excess credit is exhausted, whichever occurs first.

House Bill 5711 would amend the Income Tax Act (MCL 206.269) to provide a nonrefundable \$100 credit against the income tax to a taxpayer who removes and replaces (or pays another individual to remove and replace) ash trees that are infested by

an EAB. The taxpayer would have to attach a statement to his or her tax return, signed by the individual who removed and replaced the trees, attesting that all of the trees removed were ash trees.

FISCAL IMPACT:

According to the Michigan Department of Agriculture, there are an estimated 700 million ash trees in Michigan. The fiscal impact of these bills depends on the extent of the ash trees infected with emerald ash borer and the degree to which these trees are removed and replaced. In addition, under HB 5709 and HB 5710, the fiscal impact depends on the degree to which taxpayers 1) remove infected ash trees and charge less than the actual cost and 2) sell replacement trees for less than market value to municipalities. These bills would reduce income tax and SBT revenue, all of which would be a General Fund/General Purpose (GF/GP) impact, by an indeterminate amount.

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