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BILL ANALYSIS

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Senate Bills 221 and 222 (as introduced 2-17-05)  
Sponsor: Senator Michelle A. McManus (S.B. 221)  
Senator Jim Barcia (S.B. 222)  
Committee: Agriculture, Forestry and Tourism

Date Completed: 5-18-05

## **CONTENT**

Senate Bills 221 and 222 would amend the Income Tax Act and the Single Business Tax Act, respectively, to allow a taxpayer to claim a \$500 credit against either tax for the placement of a cellular tower in an "underserved area" (a county with a population of 70,000 or less).

Under Senate Bill 221, the credit could be claimed in the year during which a tower was placed on property that the taxpayer owned. Under Senate Bill 222, the credit could be claimed in the tax year during which the taxpayer placed a tower. If either credit exceeded the taxpayer's tax liability for the tax year, the excess portion of the credit could not be refunded or carried forward.

The bills would define "cellular tower" as a tower or antenna constructed for, or an existing facility that has been adapted for, the location of transmission or related equipment to be used in the provision of cellular telecommunications services, personal communications services, or mobile telecommunications services.

Proposed MCL 206.262 (S.B. 221)  
Proposed MCL 208.35c (S.B. 222)

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bills would have no effect on local unit revenue or expenditures but would reduce both General Fund and School Aid Fund revenue. Approximately 3,100 antennas, for all purposes, are currently constructed in Michigan. New antennas constructed within Michigan during the last 10 years are as follows:

Year	Number	Year	Number
1995	111	2000	275
1996	129	2001	235
1997	153	2002	144
1998	196	2003	156
1999	313	2004	147

Of the antennas constructed in 2004, approximately 30% were located in counties with a population of 70,000 or less.

The effect the bills would have on the construction of new towers is unknown and likely to be negligible. Many property owners that have antennas located upon their property, such

as local schools and government buildings, are not subject to the individual income tax or the single business tax and do not actually place the towers. Similarly, many towers are constructed and maintained by entities other than those who own the property upon which the antenna is located or those who use the services of the antenna. The credit in Senate Bill 221 would be available only to the entity that owns the property upon which the antenna is located, and thus is unlikely to affect the costs or benefits to the entity that constructs the antenna or the entity that would use the tower. Similarly, the credit in Senate Bill 222 would be available only to the entity that places the antenna, so this credit is unlikely to affect the costs or benefits to the entity that has the antenna placed on its property or the entity that would use the tower. The bills are not tie-barred to each other, but even if both bills were enacted and both the placing entity and the property owner were to claim the credits, the credits still would be largely irrelevant to the entities that would potentially use the tower to transmit signals. Furthermore, compared with the average cost of a tower, the credit would represent a negligible amount.

Regardless of the effect of the bills, the expected fiscal impact is also minimal. While 470 applications have been approved for antennas in Michigan that have yet to be constructed, assuming that approximately 30% would be located in qualifying counties, that the taxpayers would be able to claim the full amount of the credit, and that all taxpayers would be subject to the individual income tax, even if all 470 of the towers were constructed during fiscal year (FY) 2005-06, the impact from those antennas under Senate Bill 221 would lower FY 2005-06 revenue by \$70,500. Generally, given an average of 50 antennas per year, the ongoing cost would lower revenue by approximately \$25,000 per year, of which approximately \$19,000 would be General Fund revenue and the remainder would be School Aid Fund revenue. Similarly, under Senate Bill 222, the 470 towers would lower FY 2005-06 single business tax revenue by \$70,500 if they were all placed during FY 2005-06; and, given an average of 50 antennas per year, the ongoing cost would reduce General Fund revenue by approximately \$25,000 per year.

The credit under Senate Bill 222 would be in addition to the investment tax credit, which the taxpayer would receive for placing the tower. Furthermore, if the characteristics of the equipment were sufficient, the credit under the bill also would be in addition to any credits allowed under Public Acts 48 and 50 of 2002.

The fiscal impact of the bills could be larger than estimated above and by a potentially significant amount because of the breadth of some of the terms in the bills. The bills would not limit the credit to those towers that are required to register with the FCC or require that the towers actually be used. Therefore, particularly under Senate Bill 221, taxpayers could have an incentive to place a small, inexpensive antenna (rather than a formal tower) on a structure on their property and claim the credit, although no carrier would likely ever use the equipment.

Conversely, the bills, particularly Senate Bill 222, could have a smaller impact. The analysis above essentially assumes that each tower is placed by a different taxpayer, or equivalently, that a taxpayer could receive a \$500 credit for each tower. However, the language of the bill would allow a \$500 credit only if a tower is placed—not a \$500 credit *per tower*. To the extent that most towers are placed by a limited number of firms that build and manage towers, one firm might place 10 towers in a year but would be entitled to claim only the same \$500 credit it would receive if it placed only one tower.

This estimate is preliminary and will be revised as new information becomes available.

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.