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BILL ANALYSIS

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Senate Bill 222 (as reported without amendment)
Sponsor: Senator Jim Barcia
Committee: Agriculture, Forestry and Tourism

CONTENT

The bill would amend the Single Business Tax Act to allow a taxpayer to claim a $500 credit against the tax in the tax year during which the taxpayer placed a cellular tower on property located in a county with a population of 70,000 or less, for tax years beginning after December 31, 2005. If the credit exceeded the taxpayer's tax liability for the year, the excess could not be refunded or carried forward. The bill 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 208.35c Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no effect on local unit revenue or expenditures but would reduce General Fund revenue. According to data on antennas registered with the Federal Communications Commission (FCC), approximately 150 new antennas are constructed in Michigan each year. Of the antennas constructed in 2004, approximately 30% were located in counties with a population of 70,000 or less.

The bill's effect on the construction of new towers is unknown and likely to be negligible, particularly because the credit would not be available to many of the entities involved in the process of placing a tower and, compared with the average cost of a tower, the credit represents a negligible amount. Regardless of the bill's effects on construction, the expected fiscal impact is also minimal. Given an average of 50 antennas per year, the ongoing cost would reduce General Fund revenue by approximately $25,000 per year.

The proposed credit would be in addition to the investment tax credit. 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 bill's fiscal impact could be larger than estimated due to the breadth of some of the terms in the bill. The bill would not limit the credit to towers required to register with the FCC or require that towers actually be used or functional. Thus, the credit could be claimed for placements that have little or no practical function. Conversely, the bill could have a smaller impact because the analysis above essentially assumes each tower is placed by a different taxpayer. However, the bill would allow a $500 credit only if *a* tower were 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 could claim only one $500 credit.

Date Completed: 5-20-05 Fiscal Analyst: David Zin