



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 337 (Substitute S-2 as reported)

Sponsor: Senator Jason E. Allen

Committee: Commerce and Labor

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow a "qualified taxpayer" (a charitable nonprofit organization) to claim a credit against the SBT for up to 50% of the total cost of renovating a historic resource for tax years beginning after December 31, 2007, upon approval of the Department of History, Arts, and Libraries.

The Department could approve up to 10 credits each calendar year. Of those, nine would have to be for \$1 million or less and one could be for more than \$1 million but less than \$3 million. Not more than three credits could be issued within any one municipality.

If a taxpayer's credit for a tax year exceeded the taxpayer's tax liability for that year, the excess would have to be refunded. If the taxpayer had no tax liability for that year, the amount of the claim would have to be approved for payment, without interest, to the taxpayer, after review by the Department of Treasury.

If a taxpayer who claimed a credit under the bill no longer met the criteria for a qualified taxpayer within five years after the credit was claimed, a percentage of the credit amount previously claimed would have to be added back to the taxpayer's tax liability. The percentage would range from 100% within one year after the credit was claimed, to 20% after four but less than five years after the credit was claimed.

Proposed MCL 208.35c

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Based on the maximum number and dollar amount of the proposed SBT credit, the maximum cost of this bill in any given fiscal year, beginning in FY 2008-09 (tax year 2008), would be \$12 million. This loss in SBT revenue would affect the General Fund budget. The bill would have no direct impact on local government. The SBT already has a historic rehabilitation tax credit, which will reduce revenue an estimated \$800,000 in FY 2004-05. The existing credit is nonrefundable, which means that, to qualify for the credit, a taxpayer must have a tax liability. The proposed historic renovation credit would be a refundable tax credit, and only tax-exempt nonprofit 501(c)(3) organizations would qualify for it. Tax-exempt nonprofit organizations are not eligible for the existing credit.

The bill would increase the administrative responsibilities for the tax credit staff in the Department of History, Arts, and Libraries. These costs would need to be covered with existing revenue sources as no additional revenue would be generated under the bill.

Date Completed: 5-18-05

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