Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5845 (Substitute H-1 as reported without amendment)
Sponsor: Representative Bill Huizenga
House Committee: Commerce
Senate Committee: Commerce and Tourism

CONTENT

The bill would amend the Income Tax Act to do both of the following:

-- Allow an income tax deduction for tax years beginning after December 31, 2007, and before October 1, 2015, for all or part of the gain from an equity investment of at least $25,000 in an eligible production company or a film and digital media private equity fund that produced or financed a state certified qualified production, if an amount were reinvested in another such production within two years.
-- Revise a provision that allows a deduction for all or part of the gain from an equity investment of at least $100,000 in a qualified business that is reinvested within one year, by reducing the minimum investment to $25,000, allowing reinvestment within two years, and extending the deadline for making a deductible investment from December 31, 2009, to October 1, 2015.

MCL 206.30 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would decrease State General Fund revenue by an unknown and likely negligible amount, depending on the characteristics of specific affected taxpayers and the rate of return earned on eligible investments. As of 2007, only five firms had been approved under the existing language in the Act and none of them had generated a gain that could taxable (and thus eligible for the deduction if reinvested). As a result, the existing provision has yet to result in any revenue loss to the State. Lowering the threshold from $100,000 to $25,000 under the bill would increase the investments that could be considered under the provision, as would extending the time horizon for reinvestment from one year to two years, and extending to 2015 the period for eligible investments under current law. However, the changes would not affect the underlying before-tax rates of return on the investments. Investments that have not made a gain would not be affected by the bill. Given the time frames involved in the bill and the short-term potential for gains, the bill is not expected to have any meaningful fiscal impact in the near future.

While not tie-barred to other bills affecting similar taxpayers, the bill's provisions regarding eligible production companies would not preclude the investment expenditures from being eligible for credits under the other bills, or other provisions of the individual income tax or the Michigan business tax.

Date Completed: 3-19-08 Fiscal Analyst: David Zin