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Senate Bill 296 (Substitute S-1)
Sponsor: Senator Hansen Clarke
Committee: Finance

Date Completed: 5-5-09

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to do all of the following:

- **Require the Michigan Historical Center, when determining if an applicant qualified for a historic preservation tax credit, to give preference to an applicant that agreed to hire or contract for only Michigan residents or individuals who planned to become Michigan residents, except under certain circumstances.**
- **Prohibit a business from claiming a historic preservation tax credit unless the business agreed not to hire or contract for individuals who were not authorized under Federal law to work in the United States.**
- **Require the Department of History, Arts, and Libraries to report information relating to Michigan residents employed in historic rehabilitation projects.**

The Act allows a qualified taxpayer, with a certified rehabilitation plan for the rehabilitation of a historic resource for which a certification of completed rehabilitation has been issued after the end of the taxpayer's last tax year, to claim a credit against the MBT for qualified expenditures for the rehabilitation of a historic resource. To be eligible for the credit, the taxpayer must apply to and receive from the Michigan Historical Center certification that the historic significance, the rehabilitation plan, and the completed rehabilitation of the historic resource meet certain criteria.

Under the bill, beginning July 1, 2009, when determining if an applicant qualified for a credit, if all other considerations were equal, the Center would have to give preference to an applicant that agreed, in writing, to hire only Michigan residents or individuals who planned on becoming Michigan residents to assist in the rehabilitation of a historic resource, unless the Center determined that the rehabilitation could not be completed by using only those people for one or more of the following:

- To the extent necessary to comply with Federal law or regulation concerning the use of Federal funds.
- To the extent that key management personnel or individuals with special skills, who were not Michigan residents, were needed.
- For historic resources located in a county that borders on another state, if the Center determined that the use of nonresidents for the rehabilitation of the historic resource would not have a significant adverse effect on the employment of Michigan residents.

The Center also would have to give preference to an applicant that agreed, in writing, to contract with businesses that agreed to hire only Michigan residents or individuals who planned on becoming Michigan residents to assist in the rehabilitation of a historic resource, unless the Center determined that the rehabilitation could not be completed by using only those people under one or more of the circumstances described above.

In addition, a qualified taxpayer that is a business would not be able to claim the credit unless the taxpayer and the Center entered into a written agreement providing that, for any work on the rehabilitation plan, the taxpayer would not knowingly hire or contract with any business entity that knowingly hired an individual who was not authorized under Federal law to work in the U.S.

Under the Act, the Department of History, Arts, and Libraries, through the Michigan Historical Center, must report to the Legislature annually. Under the bill, that report would have to include all of the following:

- The number of Michigan residents employed in jobs from the rehabilitation of historic resources in the immediately preceding year.
- The total number of jobs created from the rehabilitation of historic resources in the immediately preceding year.
- The specific reasons for each determination of exemption from hiring Michigan residents, or those who planned to become Michigan residents, made by the Center and the number of jobs related to each determination.

The bill also would require the Center to report to the board of the Michigan Strategic Fund, as well as the Legislature.

The bill is tie-barred to Senate Bills 502 and 539. Senate Bill 502 would amend the Management and Budget Act to require that, in all purchases made by the Department of Management and Budget, a preference of 10% of the amount of the contract be granted to Michigan-based firms. Senate Bill 539 would amend the MBT Act to include provisions similar to those in Senate Bill 296 (S-1) with respect to the credit for investment in a qualified film and digital media infrastructure project.

MCL 208.1435

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase the responsibilities of the Michigan Historical Center within the Department of History, Arts, and Libraries by requiring additional eligibility determinations and reports regarding the State historic rehabilitation tax credit. Department staff have indicated that implementation of the bill would require an increase of 1.0 full-time equivalent (FTE) position.

It is estimated that the cost of additional staff and materials would increase the cost of the program by approximately \$90,000 annually. The cost of administering the State historic rehabilitation tax credit is supported by a combination of credit application fees and General Fund appropriations.

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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.