

Legislative Analysis



BROWNFIELD TAX CREDITS

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Senate Bill 1097 as passed by the Senate

Sponsor: Sen. Wayne Schmidt

House Committee: Tax Policy

Senate Committee: Economic and Small Business Development

Complete to 11-30-20

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 1097 would amend section 437 of the Michigan Business Tax Act (MBTA), which deals with brownfield tax credits, to extend the time within which a specific development project located in Traverse City can be completed and still be eligible for preapproved brownfield tax credits.¹

Section 437(10) of the act provides that a multiphase project must be completed within 10 years after the date of the taxpayer's preapproval letter or the taxpayer must pay back to the state an amount equal to all the credits claimed and assigned for all components of the project and no credits based on that project can be claimed from then on.

The bill would create an exception by providing that a qualified taxpayer that was approved for a credit based on a multiphase project by Resolution 2008-178, adopted by the Michigan Economic Growth Authority (MEGA) Board on December 15, 2008, and issued a preapproval letter on March 14, 2011, has until September 14, 2022, to complete that project and claim the credit without penalty.

Resolution 2008-178 provided a brownfield tax credit to Pine Street Development ONE for a two-phase project located at 305 W. Front Street in Traverse City.

Currently, to claim the credit without penalty, this project would have to be completed by March 14, 2021, which is 10 years after the date the preapproval letter was issued.

MCL 208.1437

FISCAL IMPACT:

As written, the bill would likely shift some credits claimed under the MBT from FY 2020-21 to FY 2022-23. In that event, the bill would have no direct impact on general fund revenue since the credits not claimed in FY 2020-21 would be claimed in a future year.

¹ While the Michigan brownfield tax credit program no longer issues new awards, existing credits are still honored; these credits began under the Single Business Tax and were continued under the Michigan Business Tax, and certain "certificated" credits can continue to be claimed under the MBT, even with the advent of the Corporate Income Tax, until they expire. However, the MBTA is repealed effective for tax years beginning after December 31, 2031.

However, in absence of the bill, if those credits would not be claimed at all, general fund revenue would increase by approximately \$5.0 million in the current fiscal year.

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