

TAX CREDITS FOR PERSONAL PROTECTIVE EQUIPMENT

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<http://www.house.mi.gov/hfa>

House Bill 6035 as introduced

Sponsor: Rep. Joe Tate

Committee: Tax Policy

Complete to 9-15-20

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

SUMMARY:

House Bill 6035 would amend Parts 1 and 2 of the Income Tax Act to provide that, for tax years beginning on and after January 1, 2020, a taxpayer that is a **qualified employer** may claim a credit against the tax imposed under the applicable part of the act that is equal to the following percentage of the purchase price paid by the taxpayer during the tax year for **personal protective equipment and supplies** for its Michigan employees:

- If the qualified employer increased the number of employees it had in this state on February 1, 2020, by at least 10% during the tax year and the average wage of its employees exceeded the regional average wage for that same year, 100%.
- If the qualified employer retained the same number of employees it had in this state on February 1, 2020, during the tax year, 50%.

Personal protective equipment and supplies would mean both of the following:

- Protective equipment that is not suitable for general use and is designed to be worn and to protect the wearer against injury or disease, or to protect against damaging or injuring other persons or property, such as breathing masks, face shields, respirators, protective gloves, or safety glasses and goggles.
- Disinfecting products designed to disinfect or sanitize an individual, workplace, or protective equipment, such as antibacterial soap, disinfecting spray, disinfecting wipes, or hand sanitizer.

Qualified employer would mean an employer that adopts a **COVID-19 safety protocol plan** and submits it to the Department of Treasury.

COVID-19 safety protocol plan would mean a COVID-19 exposure prevention, preparedness, and response plan that meets all of the following requirements:

- The plan complies with any applicable law, including applicable executive orders regarding safeguards to protect Michigan workers from COVID-19.
- The plan is consistent with best practices for infection prevention and industrial hygiene.
- The plan promotes remote work to the fullest extent possible, including increasing the number of telework-eligible employees.
- The plan implements enhanced cleaning, screening, testing, and contact tracing procedures and any additional infection-control measures that are reasonable in light of the work performed at the worksite and the rate of infection in the surrounding community.

The Department of Treasury could require reasonable proof from the taxpayer in support of the purchase prices claimed and the number of employees retained or hired during the tax year.

If the credit allowed by the bill exceeded the tax liability of the taxpayer for the tax year, the portion of the credit exceeding the liability would be refunded.

Proposed MCL 206.279 and 206.679

FISCAL IMPACT:

As written, the bill would reduce corporate income tax (CIT) revenue by an estimated \$35 million to \$40 million on a full-year basis, although over time that estimate would increase as more CIT filers meet the 10% employment growth threshold. All CIT revenue accrues to the general fund.

The bill would also reduce individual income tax revenue from sole proprietorships by an estimated \$2 million to \$3 million on a full-year basis. As with CIT filers, that number would be expected to grow over time as well. Just under 30% of net income tax revenue accrues to the School Aid Fund. The remainder, after transportation earmarks, accrues to the general fund.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.