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BILL ANALYSIS

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Senate Bill 1264 (as introduced 4-17-08)
Sponsor: Senator Randy Richardville
Committee: Finance

Date Completed: 11-12-08

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to increase the maximum amount that an eligible taxpayer may claim against the tax for expenses of constructing and upgrading a motorsports entertainment complex; and to increase the amount of capital expenditures the taxpayer must make.

For tax years beginning on or after January 1, 2008, and ending before January 1, 2013, an eligible taxpayer may claim a credit against the MBT equal to the amount of capital expenditures on infield renovation, grandstand and infrastructure upgrades, and any other construction and upgrades, subject to certain limits. The credit may not exceed the amounts specified in the Act or the taxpayer's MBT liability, whichever is less. Under the bill, the limits would be increased as shown in Table 1.

Table 1

Tax year	Maximum Amount of the Credit	
	Current	Proposed
2008 through 2010	\$1.7 million	\$2.1 million
2011	\$1,180,000	\$1,580,000
2012	\$650,000	\$1,050,000

In addition to this credit, for the 2009 tax year an eligible taxpayer may claim an MBT credit equal to 50% of the amount of necessary expenditures incurred, including any professional fees, additional police officers, and any traffic management devices, to ensure traffic and pedestrian safety while hosting the requisite motorsports events each calendar year. For the 2010 tax year and each subsequent tax year, an eligible taxpayer may claim an MBT credit equal to all of those expenditures. If the amount of this credit exceeds the tax liability of the taxpayer for the tax year, that excess must be refunded.

Under the bill, the credit would be equal to 50% of the amount of necessary expenditures in the 2008 tax year and 100% in the 2009 tax year and each tax year after 2009.

Under the Act, an eligible taxpayer must spend at least \$25.0 million on capital expenditures before January 1, 2011. The bill would increase this amount to \$30.0 million.

(For purposes of these credits, an "eligible taxpayer" is any of the following:

- A person who owns and operates a motorsports entertainment complex and has at least two days of motorsports events each calendar year that are comparable to NASCAR Nextel Cup events held in 2007 or their successor events.
- A person who is the lessee and operator of a motorsports entertainment complex or the lessee of the land on which such a complex is located and operates that complex.
- A person who operates and maintains a motorsports entertainment complex under an operation and management agreement.)

MCL 208.1409

Legislative Analyst: Craig Laurie

FISCAL IMPACT

This bill would increase the cost of the motor sports entertainment complex capital expenditure credit by \$400,000 a year for the 2008 through 2011 tax years. This assumes that the motor sports business that would be eligible for this credit would have large-enough capital expenditures to be able to claim the proposed increase in the credit. In addition, the first year for the credit granted to a qualifying motor sports entertainment complex for expenses incurred to ensure traffic and pedestrian safety at its motorsports events, would be moved up from the 2009 tax year to the 2008 tax year. This refundable credit would continue to be equal to 50% of eligible expenses the first year and 100% of eligible expenses in each subsequent year. This change would reduce Michigan business tax revenue an estimated \$1.9 million in FY 2008-09 and \$3.2 million in FY 2009-10. The loss in Michigan business tax revenue under this bill would reduce General Fund revenue and would have no direct impact on local government.

Fiscal Analyst: Jay Wortley

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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.