



Senate Fiscal Agency
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**BILL ANALYSIS**

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Senate Bill 1284 (as reported without amendment)
Sponsor: Senator Mark C. Jansen
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax Act to do the following:

- Allow a taxpayer to deduct from its business income tax base any gain from the sale of residential rental units in this State to a qualified affordable housing project that entered into an agreement to operate them as rent restricted units for at least 15 years.
- Require the Department of Treasury to record a lien against the property subject to the operation agreement for the amount of the deduction; and provide that the lien would become payable if the housing project failed to operate as provided in the agreement within 15 years after the sale.
- Allow a qualified affordable housing project to deduct from its business income tax base a portion of taxable income that was attributable to rent restricted units.
- Allow a qualified affordable housing project to deduct from its gross receipts a portion attributable to rent restricted units.

If a housing project no longer met the criteria for a "qualified affordable housing project" or failed to operate residential rental units as rent restricted units, a taxpayer and the housing project could take the deductions under the bill as long as it continued to offer some of the residential units purchased as rent restricted units in accordance with an operation agreement.

MCL 208.1201 & 208.1203

Legislative Analyst: Craig Laurie

FISCAL IMPACT

Based on data and information from the U.S. Department of Housing and Urban Development, as well as information from financial experts involved in Michigan's affordable housing activity, it is estimated that this bill would reduce Michigan business tax revenue in the range of \$2.0 million to \$5.0 million on a full-year basis. The reason for this range is that the loss in revenue under the bill would likely be somewhat erratic from year-to-year due to the deduction from the business income tax it would provide for the gains realized from the sale of affordable housing projects that remained as affordable housing under the new owner. The number of such sales and the value of the gains would likely be erratic from year to year. This loss in revenue would reduce the General Fund/General Purpose budget. There would be no direct impact on local units of government.

Date Completed: 6-26-08

Fiscal Analyst: Jay Wortley