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BILL ANALYSIS

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House Bill 5511 (Substitute H-1 as reported without amendment)
Sponsor: Representative Ed Clemente
House Committee: New Economy and Quality of Life
Senate Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act do the following in regard to tax credits for brownfield projects:

- Increase the maximum amount of a credit for a project for which all credits total \$1.0 million or less, and for a project for which all credits total more than \$1.0 million but not more than \$30.0 million.
- Provide for higher maximum credits for projects designated as urban development area projects.
- Revise the maximum amount of all credits that the Michigan Economic Growth Authority (MEGA) may approve each year for projects costing \$2.0 million or less and projects costing more than \$2.0 million but not more than \$10.0 million.
- Allow MEGA each year to approve 20, rather than 17, projects costing over \$10.0 million; and allow all credits for one, rather than two, of those projects to total more than \$10.0 million but not more than \$30.0 million.
- Permit a taxpayer to choose between carrying forward the amount of a credit in excess of MBT liability (as currently allowed) or receiving a refund for 75% of the excess and foregoing the remainder.
- Extend the time for completion of a multiphase project.
- Delete "certain soft costs", such as bank fees and legal expenses, from the definition of "eligible investment".

MCL 208.1437

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce General Fund revenue by an unknown amount, depending on the nature of the taxpayers' activities and the credits approved. The bill would change the allocation of credits across projects, as well as the projects that could be eligible to receive credits. The changes would make it more likely that amounts authorized to be distributed in credits would be distributed and claimed. Further, the provisions allowing credits to be refunded would change the timing and the total amount of credits that might be claimed, and would likely decrease short-term revenue by an unknown and significant amount. Currently, much of the credit carry-forward goes unused, which reduces future revenue by less than would otherwise occur. The bill's refund provisions would thus be expected to increase future revenue by less than the additional decrease in short-term revenue.

Date Completed: 3-17-08

Fiscal Analyst: David Zin