



Senate Fiscal Agency  
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## BILL ANALYSIS



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Senate Bill 89 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Nancy Cassis  
Committee: Finance

(as enrolled)

Date Completed: 6-24-09

**RATIONALE**

The Michigan Business Tax (MBT) Act allows a qualified alternative energy entity to claim a credit against the MBT for its qualified payroll amount. (A qualified alternative energy entity is a taxpayer located in a renaissance zone that has been designated as an alternative energy zone by the board of the Michigan Strategic Fund.) The calculation of the taxpayer's qualified payroll amount is based, in part, on the tax rate for the tax year for which the credit is being claimed. For this purpose, "tax rate" refers to the rate imposed under Section 51e of the Income Tax Act. Public Act 94 of 2007, however, repealed Section 51e and amended Section 51 to provide for a temporary increase in the income tax rate. Therefore, it has been suggested that the MBT Act should reflect this change.

**CONTENT**

The bill would amend the Michigan Business Tax Act to refer to the income tax rate imposed under Section 51 of the Income Tax Act, instead of former Section 51e, in the calculation of the credit for a qualified alternative energy entity.

(Former Section 51e imposed an income tax rate of 3.9% on and after January 1, 2004. Under Section 51, the rate is 4.35% on and after October 1, 2007, and before October 1, 2011. Beginning on October 1, 2011, and each October 1 after 2011, the maximum rate must be reduced by 0.1 each year until it is 3.95%. Beginning October 1, 2015, the rate will be 3.9%.)

The bill would be retroactive and effective for tax years beginning after December 31, 2007.

MCL 208.1429

**ARGUMENTS**

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

**Supporting Argument**

The bill simply would correct a citation to the section of the Income Tax Act that establishes the income tax rate, updating the language of the MBT Act that allows a credit for a qualified alternative energy entity.

Legislative Analyst: Suzanne Lowe

**FISCAL IMPACT**

The change proposed in the bill is technical in nature and therefore would have no fiscal impact on State or 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.