

**SUBSTITUTE FOR  
SENATE BILL NO. 89**

A bill to amend 2007 PA 36, entitled  
"Michigan business tax act,"  
by amending section 429 (MCL 208.1429).

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 429. (1) A taxpayer may claim a credit against the tax  
2 imposed by this act for 1 or more of the following as applicable:

3       (a) The credit allowed under subsection (2).

4       (b) The credit allowed under subsection (5).

5       (2) A taxpayer that is certified under the Michigan next  
6 energy authority act, 2002 PA 593, MCL 207.821 to 207.827, as an  
7 eligible taxpayer may claim a nonrefundable credit for the tax year  
8 equal to the amount determined under subdivision (a) or (b),

1 whichever is less:

2 (a) The amount by which the taxpayer's tax liability  
3 attributable to qualified business activity for the tax year  
4 exceeds the taxpayer's baseline tax liability attributable to  
5 qualified business activity.

6 (b) Ten percent of the amount by which the taxpayer's adjusted  
7 qualified business activity performed in this state outside of a  
8 renaissance zone for the tax year exceeds the taxpayer's adjusted  
9 qualified business activity performed in this state outside of a  
10 renaissance zone for the 2001 tax year under section 39e of former  
11 1975 PA 228.

12 (3) For any tax year in which the eligible taxpayer's tax  
13 liability attributable to qualified business activity for the tax  
14 year does not exceed the taxpayer's baseline tax liability  
15 attributable to qualified business activity, the eligible taxpayer  
16 shall not claim the credit allowed under subsection (2).

17 (4) A taxpayer that claims a credit under subsection (2) shall  
18 attach a copy of each of the following as issued pursuant to the  
19 Michigan next energy authority act, 2002 PA 593, MCL 207.821 to  
20 207.827, to the annual return required under this act for each tax  
21 year in which the taxpayer claims the credit allowed under  
22 subsection (2):

23 (a) The proof of certification that the taxpayer is an  
24 eligible taxpayer for the tax year.

25 (b) The proof of certification of the taxpayer's tax liability  
26 attributable to qualified business activity for the tax year.

27 (c) The proof of certification of the taxpayer's baseline tax

1 liability attributable to qualified business activity.

2 (5) A taxpayer that is a qualified alternative energy entity  
3 may claim a credit for the taxpayer's qualified payroll amount. A  
4 taxpayer shall claim the credit under this subsection after all  
5 allowable nonrefundable credits under this act.

6 (6) If the credit allowed under subsection (5) exceeds the tax  
7 liability of the taxpayer for the tax year, that portion of the  
8 credit that exceeds the tax liability shall be refunded.

9 (7) As used in this section:

10 (a) "Adjusted qualified business activity performed in this  
11 state outside of a renaissance zone" means either of the following:

12 (i) Except as provided in subparagraph (ii), the taxpayer's  
13 payroll for qualified business activity performed in this state  
14 outside of a renaissance zone.

15 (ii) For a partnership, limited liability company, S  
16 corporation, or individual, the amount determined under  
17 subparagraph (i) plus the product of the following as related to the  
18 taxpayer:

19 (A) Business income.

20 (B) The apportionment factor as determined under chapter 3.

21 (C) The alternative energy business activity factor.

22 (b) "Alternative energy business activity factor" means a  
23 fraction, the numerator of which is the ratio of the value of the  
24 taxpayer's property used for qualified business activity and  
25 located in this state outside of a renaissance zone for the year  
26 for which the factor is being calculated to the value of all of the  
27 taxpayer's property located in this state for that year plus the

1 ratio of the taxpayer's payroll for qualified business activity  
2 performed in this state outside of a renaissance zone for that year  
3 to all of the taxpayer's payroll in this state for that year and  
4 the denominator of which is 2.

5 (c) "Alternative energy marine propulsion system",  
6 "alternative energy system", "alternative energy vehicle", and  
7 "alternative energy technology" mean those terms as defined in the  
8 Michigan next energy authority act, 2002 PA 593, MCL 207.821 to  
9 207.827.

10 (d) "Alternative energy zone" means a renaissance zone  
11 designated as an alternative energy zone by the board of the  
12 Michigan strategic fund under section 8a of the Michigan  
13 renaissance zone act, 1996 PA 376, MCL 125.2688a.

14 (e) "Baseline tax liability attributable to qualified business  
15 activity" means the taxpayer's tax liability for the 2001 tax year  
16 under former 1975 PA 228 multiplied by the taxpayer's alternative  
17 energy business activity factor for the 2001 tax year under former  
18 1975 PA 228. A taxpayer with a 2001 tax year of less than 12 months  
19 under former 1975 PA 228 shall annualize the amount calculated  
20 under this subdivision as necessary to determine baseline tax  
21 liability attributable to qualified business activity that reflects  
22 a 12-month period.

23 (f) "Eligible taxpayer" means a taxpayer that has proof of  
24 certification of qualified business activity under the Michigan  
25 next energy authority act, 2002 PA 593, MCL 207.821 to 207.827.

26 (g) "Payroll" means total salaries and wages before deducting  
27 any personal or dependency exemptions.

1 (h) "Qualified alternative energy entity" means a taxpayer  
2 located in an alternative energy zone.

3 (i) "Qualified business activity" means research, development,  
4 or manufacturing of an alternative energy marine propulsion system,  
5 an alternative energy system, an alternative energy vehicle,  
6 alternative energy technology, or renewable fuel.

7 (j) "Qualified employee" means an individual who is employed  
8 by a qualified alternative energy entity, whose job  
9 responsibilities are related to the research, development, or  
10 manufacturing activities of the qualified alternative energy  
11 entity, and whose regular place of employment is within an  
12 alternative energy zone.

13 (k) "Qualified payroll amount" means an amount equal to  
14 payroll of the qualified alternative energy entity attributable to  
15 all qualified employees in the tax year of the qualified  
16 alternative energy entity for which the credit under subsection (6)  
17 is being claimed, multiplied by the tax rate for that tax year.

18 (l) "Renaissance zone" means a renaissance zone designated  
19 under the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681  
20 to 125.2696.

21 (m) "Renewable fuel" means 1 or more of the following:

22 (i) Biodiesel or biodiesel blends containing at least 20%  
23 biodiesel. As used in this subparagraph, "biodiesel" means a diesel  
24 fuel substitute consisting of methyl or ethyl esters produced from  
25 the transesterification of animal or vegetable fats with methanol  
26 or ethanol.

27 (ii) Biomass. As used in this subparagraph, "biomass" means

1 residues from the wood and paper products industries, residues from  
2 food production and processing, trees and grasses grown  
3 specifically to be used as energy crops, and gaseous fuels produced  
4 from solid biomass, animal wastes, municipal waste, or landfills.

5 (n) "Tax liability attributable to qualified business  
6 activity" means the taxpayer's tax liability multiplied by the  
7 taxpayer's alternative energy business activity factor for the tax  
8 year.

9 (o) "Tax rate" means the rate imposed under section ~~51e-51~~ of  
10 the income tax act of 1967, 1967 PA 281, MCL ~~206-51e-206.51~~,  
11 annualized as necessary, for the tax year in which the qualified  
12 alternative energy entity claims a credit under subsection ~~(6)-(5)~~.

13 Enacting section 1. This amendatory act is retroactive and is  
14 effective for tax years beginning after December 31, 2007.