

Legislative Analysis



MBT RENAISSANCE ZONE CREDIT

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House Bill 5937 as introduced
Sponsor: Rep. Cynthia Neeley
Committee: Tax Policy
Complete to 12-11-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5937 would amend the Michigan Business Tax Act to allow for the early termination of a Michigan Business Tax (MBT) credit for businesses located in renaissance zones.

Currently, the act allows businesses located in and conducting business activity in a renaissance zone to claim a nonrefundable credit¹ against their MBT liability. The credit continues until the tax year in which the renaissance zone designation expires.

Under the bill, a taxpayer and the Michigan Strategic Fund could execute an amendment to an existing development agreement to terminate the credit before the renaissance zone's designation expires.

MCL 208.1433

BACKGROUND:

The Michigan Business Tax was eliminated in 2011 as part of the overhaul that created the current corporate income tax (CIT).² However, certain business that had outstanding approved or assigned credits (called "legacy credits") were allowed to continue filing until the credit is used up. The renaissance zone credit is a legacy credit that continues to be claimed under agreements with MSF reached before 2011 in renaissance zones where the designation has not expired.

FISCAL IMPACT:

House Bill 5937 is permissive in nature and would not impose a direct fiscal impact on the state or local units of government. That said, if a taxpayer with a renaissance zone MBT certificated credit and MSF executed an amendment terminating a credit earlier than it would otherwise expire, general fund revenues would increase. However, the overall fiscal impact is not expected to be significant. Based on the most recent MEGA and other certificated credit report, it is anticipated renaissance zone MBT certificated credits claimed will total \$3.0 million in FY 2025, \$1.5 million in FY 2026, and \$0.8 million in

¹ https://www.michigan.gov/taxes/-/media/Project/Websites/taxes/Forms/2022/2022-MBT/4595_ty2022.pdf

² <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2011-HB-4361>

FY 2027, which will be the last year a renaissance zone MBT certificated credit is expected to be claimed.

The renaissance zone MBT certificated tax credit provides a credit for the portion of the tax attributable to business activity in an eligible renaissance zone.

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