



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 4829 (Substitute H-4 as passed by the House)  
Sponsor: Representative Abraham Aiyash  
House Committee: Tax Policy  
Senate Committee: Committee of the Whole

Date Completed: 9-11-23

**CONTENT**

**The bill would amend the Michigan Business Tax Act to allow a qualified taxpayer that was approved for a credit based on a multiphase project by Resolution 2010-219 adopted by the Michigan Economic Growth Authority (MEGA) to complete that project without penalty by December 31, 2026, if quarterly reports with certain information were submitted. Currently, for the credit to be claimed, the project must be complete by September 14, 2023.**

Subject to the Act, a qualified taxpayer that has unused credits or has a preapproval letter issued between December 31, 2007, and January 1, 2014, provided that the project is completed in a certain amount of time as described below, may claim a credit against the tax imposed by the Act equal to a certain percentage of the cost of the qualified taxpayer's eligible investment paid or accrued on an eligible property.

(Generally, the Act defines "eligible investment" as any demolition, construction, restoration, alteration, renovation, or improvement of buildings or site improvements on eligible property when made after the approval date of a brownfield plan but in any event no earlier than 90 days prior to the date of the preapproval letter. "Eligible property" means property for which eligible activities are identified under a brownfield plan that was used or is currently used for commercial, industrial, public, or residential purposes, including personal property, to the extent included in the brownfield plan and that meets certain other requirements, such as being in a qualified local governmental unit and being blighted or functionally obsolete.)

The Act allows the credit to be claimed if the taxpayer has unused credits or a preapproval letter, provided the project is completed no more than five years after the preapproval letter for the project is issued unless extended under the Act. If the project is a multiphase project, the qualified taxpayer must complete it not more than 10 years after the preapproval letter, as amended, if applicable, is issued.

(The Act defines "project" as the total of all eligible investment on an eligible property or, for the purposes of the Act, either all eligible investment on property not in a qualified local governmental unit that is a facility or all eligible investment on property that is not a facility but is functionally obsolete or blighted. "Multiphase project" means a project approved under the Act that has more than one component, each of which can be completed separately.)

If all components of a multiphase project are not completed by 10 years after the date on the preapproval letter for which the project was issued, the qualified taxpayer that received the preapproval letter for the project must pay to the State Treasurer, as a penalty, an amount equal to the sum of all credits claimed and assigned for all components of the multiphase project and a taxpayer or an assignee may not claim credits based on that multiphase project claimed after that date.

The Act currently excludes from these deadlines and penalties a qualified taxpayer approved for a credit based on a multiphase project by Resolution 2010-219 adopted by MEGA and issued a preapproval letter on June 10, 2011. Instead, the Act specifies that the taxpayer has until September 14, 2023, to complete the project and claim the credit.

Under the bill, the qualified taxpayer described above would have until December 31, 2026, to complete the project and claim the credit without penalty if quarterly reports described below were submitted, the project was completed, and the temporary or final certificate of occupancy had been issued by the local municipality in which the project were located for all the buildings or facilities that comprised the completed component by that date.

If the qualified taxpayer described above were issued a certificate of completion before December 31, 2021, the taxpayer would not be subject to the Act's repayment provisions. A qualified taxpayer described above that had not been issued a certificate of completion by September 14, 2023, would have to provide quarterly reports to the Michigan Strategic Fund (MSF) on the progress of the project, including the following:

- The expected completion date.
- The names of any contractors or subcontractors engaged in the project.
- The percentage of the project completed as of the immediately preceding quarter.

MCL 208.1437

Legislative Analyst: Eleni Lionas

## **BACKGROUND**

Resolution 2010-219 adopted by MEGA awarded a Brownfield Michigan Business Tax Credit to Woodward Offices, LLC to make eligible investment up to \$50.0 million at an eligible property, The Mid, in the City of Detroit.<sup>1</sup> The September 14, 2023, deadline was enacted by Public Act 27 of 2021.

## **FISCAL IMPACT**

To the extent that the project approved by Resolution 2010-219 is completed by the extended due date established under Public Act 27 of 2021 (September 14, 2023), the bill would have no fiscal impact. Under the terms of the bill, if the project were completed after the current due date but before December 31, 2026, the bill would shift tax credits that would have reduced fiscal year (FY) 2022-23 Michigan Business Tax (MBT) revenue to a later fiscal year, possibly FY 2025-26 or FY 2026-27.

Certificated credits approved under the MBT are expected to be claimed through FY 2031-32, based on the terms of the credits. The Consensus Revenue Estimating Conference estimates if and when certificated credits likely will be claimed. Absent the bill, if the project is not completed by the current due date, the State will pay approximately \$10.0 million less in credits during FY 2022-23. With the bill enacted, if the project were completed by December 31, 2026, the projected credit would be claimed in a later fiscal year, resulting in fewer credits in FY 2022-23, but an increase in the credits that would be paid during a later fiscal year.

Fiscal Analyst: David Zin

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<sup>1</sup> "Michigan Strategic Fund Board Meeting Draft Agenda", <https://www.michiganbusiness.org/4a82d8/globalassets/documents/msf-board/msf-board-packets/july-2014-msf-meeting-packet.pdf>. Retrieved September 7, 2023.

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