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BILL ANALYSIS

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Senate Bill 944 (as enacted) **PUBLIC ACT 310 of 2010**
Sponsor: Senator Jason E. Allen
Senate Committee: Commerce and Tourism
House Committee: New Economy and Quality of Life

Date Completed: 4-11-11

CONTENT

The bill amended the Michigan Business Tax Act to allow a historic rehabilitation credit for a high community impact rehabilitation plan to be used for a combined plan that would provide for the rehabilitation of several historic resources, subject to a limit of $24.0 million on the aggregate amount of the credit and criteria related to the historic resources' size, redevelopment, and vacancy, and the amount of associated investment.

Under the Act, a taxpayer that owns and rehabilitates a historic resource may claim a credit against the Michigan Business Tax for a percentage of the taxpayer's qualified expenditures, if the taxpayer receives a preapproval letter from the Michigan State Housing Development Authority (MSHDA) as well as a certificate of completed rehabilitation, and other criteria are met. Typically, the credit equals 25% of qualified expenditures (reduced by the amount of a Federal historic preservation credit). If the credit for a tax year exceeds the taxpayer's MBT liability, the excess may not be refunded but may be carried forward to offset tax liability for up to 10 subsequent tax years.

Subject to the approval of the president of the Michigan Strategic Fund and the State Treasurer, MSHDA may approve a limited number of additional credits of up to 15% of the qualified taxpayer's qualified expenditures, for certain rehabilitation plans that MSHDA determines are high community impact rehabilitation plans that will have significantly greater historic, social, and economic impact than other rehabilitation plans described in the Act. For the 2011, 2012, and 2013 calendar years, the number of these credits allowed is two.

Under the bill, for 2011, 2012, and 2013, MSHDA may use one of the additional available credits to approve a combined rehabilitation plan that the Authority determines would allow for the rehabilitation of several multiple historic resources within the same geographic district and would have a greater impact on the community than the approval of a plan for the rehabilitation of a single larger historic resource.

The aggregate amount of credits approved for a combined rehabilitation plan may not exceed $24.0 million. Except as otherwise provided in the preapproval letter, the amount allowed for the plan must be applied pro rata to each of the qualified taxpayers that submitted an application that was considered a part of the combined plan.

The credit approved for a combined rehabilitation plan must be for applications that taken as a whole comply with all of the following:

-- The geographic distance in which the historic resources to be rehabilitated are located may not exceed one square mile.
-- The historic resources combined must comprise more than 1.0 million square feet.
-- The historic resources combined must be redeveloped into residential, commercial, and retail establishments.

-- The combined investment associated with the historic resources must be at least $150.0 million.
-- Each historic resource must be at least 50,000 square feet.
-- The historic resources combined must be at least 80% vacant.

Subject to the approval of the Michigan Strategic Fund president and the State Treasurer, MSHDA may combine applications that are received for the rehabilitation of historic resources that are located within the same geographic district and that taken as a whole would satisfy those criteria, and may consider the approval of the combined applications as the approval of a single credit for a combined rehabilitation plan.

The bill took effect on December 17, 2010.

MCL 208.1435

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will likely reduce State General Fund revenue by less than $24.0 million. Because the bill does not expand the number of credits that may be awarded, but allows applications to be combined to generate a credit that exceeds the value of a single application, the bill likely will increase the size of credits that are approved. The bill also imposes a limit on any credits awarded, which may reduce the revenue loss that would occur absent the bill if the credits that otherwise would be approved would exceed a value of $24.0 million—a situation that is unlikely given the bill's allowance for individual projects to be combined into single credits.

To the extent that the bill increases the size of any credits, the impact will be experienced in future fiscal years. A taxpayer may claim only $3.0 million of the credit in any tax year, with any credit in excess of liability carried forward to future years. As a result, increasing the value of awarded credits will reduce revenue in less immediate fiscal years. The maximum amount of any revenue reduction will equal $24.0 million less the value of any credits already awarded and that would have been awarded absent the bill.

Fiscal Analyst: David Zin