

Legislative Analysis



SBT CREDIT: INDUSTRIAL PERSONAL PROPERTY

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House Bill 4972 as passed by the House

Sponsor: Rep. Glenn Steil, Jr.

Committee: Tax Policy

Second Summary: Complete to 9-6-05

A SUMMARY OF HOUSE BILL 4972 AS PASSED BY THE HOUSE 8-31-05

The bill would create a new section (MCL 208.35d) establishing a refundable credit against the SBT equal to a portion of the amount of taxes paid for new and existing industrial personal property under the General Property Tax Act, the Plant Rehabilitation and Industrial Development Act (PA 198), and the Obsolete Property Rehabilitation Act, as well as the amount of payments made to the Michigan Strategic Fund related to a renaissance zone used to reimburse local taxing units. The bill is tie-barred to House Bills 4973, 4980, 5095-5098, and 5106-5108.

The credit would be available for tax years beginning after January 1, 2006, and would be calculated as follows, depending on the date of purchase.

- If purchased in Calendar Years 2006 or 2007: (1) 50 percent of personal property taxes paid in the first year after the purchase year; (2) 30 percent of personal property taxes paid in the second year after the purchase year; and (3) 20 percent of personal property taxes paid in the third year after the purchase year.
- If purchased in Calendar Year 2008 or later: 20 percent of the taxes paid in each of the three years after the purchase year.
- For property that is not newly purchased, the tax credit would be 15 percent of personal property taxes paid in Calendar Years 2006, 2007, and 2008, and would be 20 percent of personal property taxes paid in Calendar Year 2009 and beyond.

However, if the standard SBT tax rate is reduced a fourth time because of projected SBT revenue (as proposed under House Bill 5108) and, in later years, the May Revenue Estimating Conference projects SBT revenue for the current fiscal year will exceed the previous year's SBT revenue by at least \$80 million, then taxpayers could claim a credit against the SBT in the three years after that calendar year (the year of the conference). The credit would equal a percentage of personal property taxes for property purchased in the year of the conference and paid in the following year, as follows: (1) 50 percent in the first year after the purchase year, 30 percent in the second year after the purchase year, and 25 percent in the third year after the purchase year. When this provision is applicable (i.e., when SBT revenue triggers are met) taxpayers would claim this credit for newly purchased property, rather than the 20 percent credit provided above.

To claim the credit, businesses would have to file separate personal property tax statements with the local assessor identifying industrial personal property. Businesses that are not required to file an SBT return would also be eligible for the credit.

The bill is tie-barred to House Bills 4973, 4980, 5095-5098, 5106-5108.

FISCAL IMPACT:

The bill would reduce SBT (GF/GP) revenue by an estimated \$757.8 million between FY 2006 and FY 2010, as follows:

- Fiscal Year 2005-2006: \$117.0 million
- Fiscal Year 2006-2007: \$149.8 million
- Fiscal Year 2007-2008: \$162.6 million
- Fiscal Year 2008-2009: \$168.5 million
- Fiscal Year 2009-2010: \$159.9 million

BACKGROUND INFORMATION:

The bill is part of a larger package of legislation proposed by the House Republican Caucus that would restructure the state's business tax laws, and is in response to Governor Granholm's proposed Michigan Jobs and Investment Act, contained in House Bill 4476. (See the HFA summary of HB 4476 for the details of the governor's proposal.)

With relevance to this bill, the governor's proposal would create a refundable credit against the SBT for industrial processors and research and development (R&D) companies generally equal to 35 percent of the taxes paid for personal property used in industrial processing, including research or experimental activities. An earlier version of House Bill 4972 would have created a similar credit.

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