

Legislative Analysis



SINGLE BUSINESS TAX CREDITS

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House Bill 4982
Sponsor: Rep. Rick Baxter

House Bill 5460
Sponsor: Rep. Glenn Steil, Jr.

House Bill 5459
Sponsor: Rep. Tim Moore

House Bill 5461
Sponsor: Rep. David Farhat

Committee: Tax Policy
Complete to 12-5-05

A SUMMARY OF HOUSE BILL 4982 AS INTRODUCED 6-22-05 AND HOUSE BILLS 5459–5461 AS INTRODUCED 11-29-05

House Bill 4982

The bill would amend the Single Business Tax Act (MCL 208.35d) to establish a refundable credit against the SBT equal to 10 percent of the amount of personal property taxes paid under the General Property Tax Act in the tax year. A controlled group of corporations, an affiliated group, or an entity under common control could not claim the credit unless its business activities were consolidated. The credit would be available for tax years that begin on or after January 1, 2006.

Note: A substitute bill increasing the credit to 15 percent and limiting it to only the 2006 tax year is expected.

House Bill 5460 and House Bill 5461

The bills would amend the Single Business Tax Act (MCL 208.35h and 208.35g) to establish a refundable credit equal to 15 percent of property taxes paid on industrial personal property. The credit would also be available to firms that are otherwise not required to file a SBT return.

Under the bills, "property taxes" would mean taxes paid under the General Property Tax Act, the Plant Rehabilitation and Industrial Development Act, the Obsolete Property Rehabilitation Act, as well as the amounts of payments made to the Michigan Strategic Fund related to a renaissance zone used to reimburse local taxing units and payments made under contract with certain local assessing districts that contain a distressed area.

House Bill 5460 would provide the credit for the tax years that begin on or after January 1, 2009 and before January 1, 2010. House Bill 5461 would provide the credit for tax years that begin on or after January 1, 2008 and before January 1, 2009. Senate Bill 909, as introduced, would provide a similar credit for tax years that begin on or after January 1, 2007 and before January 1, 2008.

Note: Substitute bills tie-barring the bills to each other and Senate Bills 203, 909, and 910 are also expected. Generally speaking, Senate Bill 203 would extend an SBT exemption for certain "spun off" corporations (Delphi and Visteon).

House Bill 5459

The bill would amend the Single Business Tax Act (MCL 208.35j) to provide taxpayers that transfer jobs into the state with a credit against the SBT equal to 100 percent of personal property taxes directly related to the transferred jobs. The credit would only be available for taxes paid in the first year related to the transferred jobs. The credit could only be claimed in the 2009 tax year.

To claim the credit, the taxpayer would have to enter into an agreement with the Michigan Economic Growth Authority (MEGA). The agreement would have to specify that (1) the taxpayer will transfer jobs into the state in excess of what the taxpayer maintained in the state in the previous year; (2) related personal property will be located in the state; and (3) the relocation of the jobs and property could not be reasonably done before January 1, 2007. The MEGA would issue the taxpayer a certificate, which the taxpayer would attach to its annual return.

If the taxpayer does not maintain the number of transferred jobs in the state for any of the three years after it claims the credit, a portion of the credit received would be added back to the taxpayer's tax liability, as follows: (1) 100 percent, if fewer jobs during the first year; (2) 67 percent, if fewer jobs in the second year, or (3) 33 percent, if fewer jobs in the third year.

Senate Bill 910, as introduced, would make a similar credit available for the 2007 and 2008 tax years.

FISCAL IMPACT:

The combined impact of HB4982, HB5460, and HB5461 would reduce Single Business Tax (SBT) revenue by an estimated \$439 million. SBT revenue would decline by about \$115 million in FY2005-06, \$124 million in FY2007-08, \$132 million in FY2008-09, and \$68 million in FY2009-10. Because of the timing between property taxes levies and due dates, SBT filers would have the ability to earn SBT credits on personal property taxes beginning with the winter 2005 levy and extending through the winter 2009 levy.

House Bill 5459 could reduce SBT revenue in FY2008-09 by as much as \$25 million or more, although the impact might also be significantly less.

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