

## CONTINUE SBT CREDITS AFTER SBT REPEAL

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### House Bill 6183

Sponsor: Rep. Glenn Steil, Jr.

### House Bill 6184

Sponsor: Rep. Fulton Sheen

Committee: Tax Policy

Complete to 6-13-06

## A SUMMARY OF HOUSE BILLS 6183 AND 6184 AS INTRODUCED 6-8-06

House Bill 6183 would amend the Single Business Tax Act so that taxpayers eligible to claim credits for brownfield redevelopment and historic preservation projects completed after the SBT Act's repeal could claim those credits in the taxpayers' final tax year under the act. House Bill 6184 would create a new act known as the Credit Preservation Act that would enable SBT taxpayers to claim the brownfield credit and historic preservation credit in the same manner as provided in House Bill 6183.

### *Brownfield Redevelopment*

Under the Single Business Tax Act, a "qualified taxpayer" with a preapproval letter issued by the Michigan Economic Growth Authority between 2000 and 2007 can claim a credit against the tax for brownfield redevelopment projects, as long as the project is completed within five years after the preapproval letter is issued. The credit is generally equal to either of the following:

- 10 percent of the eligible investment costs, if the total credits for the project are less than \$1 million.
- A percentage of eligible investment costs, up to 10 percent, determined by MEGA, if the total credits for the project are more than \$1 million and \$30 million or less, and the project is located in a qualified local governmental unit.

House Bill 6183 specifies that a qualified taxpayer with a preapproval letter issued before December 31, 2006, for a project that is not completed before the date on which the SBT Act is to be repealed, but is completed before January 1, 2010, could claim the credit on the return for its last tax year under the act. The credit would be taken after all other credits in that tax year, and could not exceed the amount the taxpayer would have claimed for the 2008 or 2009 tax year for projects completed in those years. The credit would be refundable.

### *Historic Preservation*

The SBT Act also provides taxpayers with a credit against the SBT equal to one-quarter of any "qualified expenditures" – generally meaning capital expenditures that qualify for a similar rehabilitation credit under the federal Internal Revenue Code – for the

rehabilitation of an historic resource. (The SBT credit is reduced by the amount of the federal credit.)

House Bill 6183 provides that a qualified taxpayer that has a rehabilitation plan certified before December 31, 2006 for the rehabilitation of a historic resource for which a certificate of completion is not issued before the date on which the SBT Act is repealed, but is issued before January 1, 2010, could claim the credit on the return for its last tax year under the act. The credit would be taken after all other credits in that tax year, and could not exceed the amount the taxpayer would have claimed for the 2008 or 2009 tax year for rehabilitation projects completed in those years. The credit would be refundable.

**FISCAL IMPACT:**

These bills would allow brownfield and historic preservation single business tax credits for tax years 2008 and 2009 to be taken before the single business tax is repealed. These credits average \$60 million annually, but can vary widely between years. All single business tax revenue accrues to the General Fund/General Purpose. These bills would have no direct local fiscal impact.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.