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BILL ANALYSIS

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Senate Bill 1523 (as reported without amendment)
Sponsor: Senator Jud Gilbert, II
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to revise the calculation of the credit that may be claimed by a taxpayer that, before December 1, 2002, was located in a renaissance zone or entered into a purchase or lease agreement for real or personal property to be used for business activity in a renaissance zone.

Under the Act, a business that is located and conducting business activity within a renaissance zone may claim an MBT credit for the tax year equal to the lesser of 1) the tax liability attributable to business activity conducted within a renaissance zone in the tax year, or 2) 10% of adjusted services performed in a designated renaissance zone. Under the bill, this would apply to a taxpayer located and conducting business activity in a renaissance zone after November 20, 2002.

A taxpayer located and conducting business activity in a renaissance zone before December 31, 2002, currently may claim as a credit the product of: 1) the credit claimed under Section 39b of the Single Business Tax (SBT) Act for the tax year ending in 2007; 2) the ratio of the taxpayer's payroll in this State in the tax year divided by the taxpayer's payroll in this State in its tax year ending in 2007 under the SBT; and 3) the ratio of the taxpayer's renaissance zone business activity factor for the tax year divided by its renaissance zone business activity factor for its tax year ending in 2007 under Section 39b of the SBT (which allowed a renaissance zone credit against the SBT).

Under the bill, a taxpayer located and conducting business activity in a renaissance zone before December 1, 2002, or a taxpayer that entered into a purchase agreement or lease agreement before that date for real or personal property to be used for business activity in a renaissance zone, could claim a credit equal to the greater of the following:

- The lesser amount calculated under first provision described above (based on tax liability attributable to business activity or 10% of adjusted services in a zone).
- The product derived from the calculation based on the SBT renaissance zone credit.

MCL 208.1433

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would reduce State General Fund revenue by an unknown amount. The actual amount would depend on the specific characteristics of the taxpayers affected by the bill, but is not expected to be more than several million dollars. The bill would have no effect on firms locating in a renaissance zone after December 1, 2002. Affected revenue thus would reflect the impact on firms located in a renaissance zone before December 1, 2002.

Date Completed: 9-23-08

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.