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House Bill 4264 (Substitute H-2 as reported without amendment)  
Sponsor: Representative Robert Jones  
House Committee: Tax Policy  
Senate Committee: Finance

### **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to allow an unused carryforward of a taxpayer's historic preservation credit to be reduced by the amount that otherwise would be added to the taxpayer's tax liability. The bill also would require a portion of the credit to be added to tax liability if a taxpayer's preapproval letter were revoked. The bill would be retroactive and effective for tax years beginning after December 31, 2007.

Under the Act, a taxpayer that owns and rehabilitates a historic resource may claim an MBT credit for a percentage of the taxpayer's qualified expenditures, if the taxpayer receives a certificate of completed rehabilitation and other criteria are met. 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.

Under certain circumstances, between 20% and 100% of the credit must be added back to the taxpayer's MBT liability. This applies if the certificate of completed rehabilitation is revoked because rehabilitation was not undertaken as represented or unapproved alterations are made, or the taxpayer sells the historic resource less than five years after the credit was claimed (for tax years beginning before 2009) or less than five years after the historic resource was placed in service (for tax years beginning after 2008).

Under the bill, if the taxpayer had an unused carryforward of the credit, the amount otherwise added to MBT liability instead could be used to reduce the taxpayer's carryforward.

For certain levels of the credit, a taxpayer must obtain a preapproval letter from the State. A preapproval letter may be revoked if there has not been substantial progress toward completion of the taxpayer's rehabilitation plan or the plan cannot be completed. Under the bill, for tax years beginning after 2008, a percentage of the credit would have to be added to the taxpayer's MBT liability if a preapproval letter were revoked.

MCL 208.1435

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 10-22-09

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.