

Legislative Analysis



TAX CREDIT FOR BOTTLE DEPOSITS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4443 as introduced
Sponsor: Rep. Jim Lilly

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4444 as introduced
Sponsor: Rep. Kevin Hertel

Committee: Regulatory Reform
Complete to 3-8-21

SUMMARY:

Taken together, House Bills 4443 and 4444 would amend different acts to provide a tax credit for distributors who originate bottle deposits and to revise the annual disbursement of money in the Bottle Deposit Fund.

House Bill 4443 would amend Parts 1 and 2 of the Income Tax Act to provide a credit against the tax for distributors who originate bottle deposits. The bill would apply retroactively to tax years that begin on and after January 1, 2020.

Under the bill, for tax years that begin on and after January 1, 2020, a taxpayer that is a *distributor* who originates a deposit on a *beverage container* could claim a credit against the tax imposed under Part 1 or Part 2, as applicable, that is equal to the sum of the following:

- One half of one cent per *returnable container* sold during the tax year. (Beginning with the 2021 tax year, the amount of this credit would be adjusted annually by the percentage increase in the United States Consumer Price Index for all urban consumers the immediately preceding calendar year.)
- The refund value per returnable container over-redeemed during the tax year as established under section 2 of 1976 IL 1 (commonly known as the bottle deposit law).

For purposes of the bill, *beverage container*, *distributor*, and *returnable container* would mean those terms as defined in section 1 of the bottle deposit law.¹

The taxpayer would have to attach the report required under section 3a of the bottle deposit law to the annual return on which a credit was claimed.² If the credit exceeded the tax liability of the taxpayer for the tax year, the portion exceeding the tax liability would be refunded.

A distributor that is a partnership, limited liability company, or subchapter S corporation could claim the credit under Part 1 against the partner's, member's, or shareholder's tax liability based on the partner's, member's, or shareholder's proportionate share of ownership or based on an alternative method approved by the Department of Treasury.

Proposed MCL 206.279 and 206.679

¹ See <https://www.legislature.mi.gov/documents/mcl/pdf/mcl-445-571.pdf>

² This is an annual report of the distributor's deposits originated and refunds paid out in the previous year. See <https://www.legislature.mi.gov/documents/mcl/pdf/mcl-445-573a.pdf>

House Bill 4444 would amend the bottle deposit law, which governs returnable containers for a variety of beverages, including soft drinks, soda water, other carbonated nonalcoholic drinks, beer, and mixed wine or mixed spirit drinks, to revise how money from the Bottle Deposit Fund is disbursed.

Currently, the Department of Treasury deposits the money paid to it by underredeemers (manufacturers or distributors who collect more in deposits than they pay out as refunds for returned containers) into the Bottle Deposit Fund. The department must annually disburse the money in the fund as follows:

- Seventy-five percent to the Cleanup and Redevelopment Trust Fund.
- Twenty-five percent to dealers based on the number of empty returnable containers handled by a dealer as determined by the department.

Under the bill, beginning with the annual disbursement for 2020, if the amount paid by underredeemers for a calendar year exceeded \$50.0 million, the department could, before making the disbursements described above, disburse to the general fund an amount of up to the total amount of the credits claimed for the corresponding year under the provisions proposed by House Bill 4443.

The bill would take effect 90 days after being enacted into law.

MCL 445.573c

FISCAL IMPACT:

Assuming that the number of returnables remains relatively constant between 3.8 billion and 3.9 billion per year and adjusting the credit per returnable for projected inflation, House Bill 4443 would reduce general fund revenue by about \$20.0 million per year.

It is anticipated that, while the balance in the bottle deposit fund will generally not exceed \$50.0 million, the balance may be greater than \$50.0 million in 2020. In that instance, the general fund may be reimbursed for the revenue loss.

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