

# Legislative Analysis



## EMPLOYER HOUSING CREDITS

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

**House Bills 4649 and 4650 as introduced**

**Sponsor: Rep. Mark Huizenga**

**Committee: Local Government and Municipal Finance**

**Complete to 6-2-21**

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

## SUMMARY:

House Bills 4649 and 4650 would respectively amend the State Housing Development Authority Act and the Income Tax Act. The bills would together create an income tax credit for employers that contribute to local trust funds dedicated to affordable housing or that offer certain employees assistance in obtaining affordable housing near where they work. Eligible contributions and employee assistance projects would have to be approved by the Michigan State Housing Development Authority (MSHDA). The credit would equal 50% of eligible contributions or costs. If the credit exceeded tax liability, it would not be refunded, but it could be carried forward for up to 10 subsequent tax years.

**House Bill 4650** would amend the Income Tax Act to create the tax credit in both Part 1 (individual income tax) and Part 2 (corporate income tax) of the act.

Under the bill, for tax years beginning on and after January 1, 2021, a taxpayer that is an employer could claim a credit against the tax for making an *eligible contribution* to a *local impact housing trust fund* or for offering its employees the option to participate in a *qualified employer-assisted housing project*.

*Eligible contribution* would mean a promise, grant, or payment of money or property (including a promise to pay) approved by MSHDA.

*Local impact housing trust fund* would mean a trust fund established by a local community that dedicates its funds to investing in local housing projects and providing affordable housing in the community.

*Qualified employer-assisted housing project* would mean a project provided and funded by the employer that offers assistance in obtaining affordable housing near the workplace to its employees whose *adjusted household income* is 120% or less of the area median income, as determined by MSDHA. The assistance could include down payment assistance, reduced-interest mortgages, mortgage guarantee programs, rental subsidies, individual development account savings plans, or any similar type of project approved by MSHDA.

*Adjusted household income* would mean (as defined in R 125.101 of the Michigan Administrative Code) the combined gross annual income of members of a household after deducting: any unusual or temporary income; \$650 for each household member; any earnings of a household member who is less than 18 years

old or is physically or mentally handicapped; 50% of the income of the second highest adult wage earner in the household; and 10% of gross annual income (up to \$1,000).

The credit would equal 50% of the total eligible contributions made to a local impact housing trust fund during the tax year and 50% of the total costs incurred to provide and fund qualified employer-assisted housing projects. (A taxpayer who is a member of an employer that is a flow-through entity could claim the credit on his or her individual income tax based on proportionate share of ownership or an alternative method approved by the Department of Treasury.) Any portion of the credit (including unused carryforward) that exceeded the taxpayer's tax liability for the tax year could not be refunded but could be carried forward to offset tax liability in subsequent tax years for up to 10 years.

To claim the credit, the employer would have to apply to MSHDA for approval of its employer-assisted housing project and certification of its eligible contributions and costs during the tax year, in a form and manner prescribed by MSDHA. A taxpayer could not claim a credit unless MSHDA had issued the taxpayer a certificate for the tax year. The taxpayer would have to attach the certificate to the annual return on which the credit is claimed. The certificate would have to include all of the following:

- The taxpayer's name.
- A description of each qualified employer-assisted housing project and the name of each local impact housing trust fund.
- The amount for the tax year of eligible contributions made to each local impact housing trust fund and costs incurred for a qualified employer-assisted housing project and the amount of the credit that may be claimed for the tax year. (For an employer that is a flow-through entity, the certificate would have to separately state the amount of the credit that each taxpayer who is a member of the flow-through entity may claim for the tax year, based on proportionate share of ownership or an alternative method approved by the Department of Treasury.)
- The taxpayer's federal employer identification number or the Michigan Department of Treasury number assigned to the taxpayer.

Proposed MCL 206.279 and 206.678

**House Bill 4649** would amend the State Housing Development Authority Act to authorize MSHDA to determine the eligibility of contributions and costs for the tax credit described above and issue certificates to taxpayers. The bill also would require MSHDA to develop an application and approval process for those contributions and costs and to annually issue the certificate described above to eligible persons.

MCL 125.1422 and proposed MCL 125.1422e

The bills are tie-barred to one another, which means that neither could take effect unless both were enacted.

**FISCAL IMPACT:**

As written, the bills would reduce individual income tax and corporate income tax revenues. However, because there is no way to determine how much eligible contributions will total in any given year, the revenue reduction cannot be determined. While the credit is nonrefundable, any unused amount may be carried forward for 10 years.

Any credits applied to the corporate income tax would reduce general fund revenue. With respect to the individual income tax, because the credit could not result in a refund, about 23.8% of the revenue reduction would be absorbed by the School Aid Fund, while the remainder would reduce general fund revenue.

Legislative Analyst: Rick Yuille  
Fiscal Analyst: Jim Stansell

---

■ 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.