

HOUSE BILL No. 6361

August 23, 2006, Introduced by Reps. Byrum and Bieda and referred to the Committee on Tax Policy.

A bill to provide for the preservation of certain credits for certain economic development activities.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "economic development credit preservation act".

3 Sec. 2. As used in this act:

4 (a) "Adjusted services performed in a designated renaissance
5 zone" means either of the following:

6 (i) Except as provided in subparagraph (ii), the sum of the
7 taxpayer's payroll for services performed in a designated
8 renaissance zone plus an amount equal to the amount deducted in
9 arriving at federal taxable income for the tax year for

1 depreciation, amortization, or immediate or accelerated write-off
2 for tangible property exempt under section 7ff of the general
3 property tax act, 1893 PA 206, MCL 211.7ff, in the tax year or, for
4 new property, in the immediately following tax year.

5 (ii) For a partnership, limited liability company, S
6 corporation, or individual, the amount determined under
7 subparagraph (i) plus the product of the following as related to the
8 taxpayer if greater than zero:

9 (A) Federal taxable income, except that for a taxpayer other
10 than a corporation, that part of federal taxable income derived
11 from business activity, including, for a partnership, payments and
12 items of income and expense that are attributable to business
13 activity of the partnership and separately reported to the
14 partners.

15 (B) The ratio of the taxpayer's total sales in this state
16 during the tax year to the taxpayer's total sales everywhere during
17 the tax year.

18 (C) The renaissance zone business activity factor.

19 (b) "Casino" means a casino regulated by this state pursuant
20 to the Michigan gaming control and revenue act, Initiated Law of
21 1996, MCL 432.201 to 432.226.

22 (c) "Michigan economic growth authority" means the Michigan
23 economic growth authority created in the Michigan economic growth
24 authority act, 1995 PA 24, MCL 207.801 to 207.810.

25 (d) "New property" means property that has not been subject to
26 or exempt from the collection of taxes under the general property
27 tax act, 1893 PA 206, MCL 211.1 to 211.157, and has not been

1 subject to or exempt from ad valorem property taxes levied in any
2 other state, except that property exempt as inventory property does
3 not disqualify property as new property.

4 (e) "Payroll" means total salaries and wages before deducting
5 any personal or dependency exemptions.

6 (f) "Renaissance zone" means that term as defined in section 3
7 of the Michigan renaissance zone act, 1996 PA 376, MCL 125.2683.

8 (g) "Renaissance zone business activity factor" means a
9 fraction, the numerator of which is the ratio of the average value
10 of the taxpayer's property located in a designated renaissance zone
11 to the average value of the taxpayer's property in this state plus
12 the ratio of the taxpayer's payroll for services performed in a
13 designated renaissance zone to all of the taxpayer's payroll in
14 this state and the denominator of which is 2.

15 Sec. 3. (1) If the single business tax act, 1975 PA 225, MCL
16 208.1 to 208.145, is repealed for tax years beginning after
17 December 31, 2007, then for tax years beginning after December 31
18 2007, a taxpayer for whom credits under sections 37c(1) and
19 38g(20)(a)(i) and (b)(i) of former 1975 PA 228 have been initially
20 approved by a resolution of the Michigan economic growth authority
21 adopted before January 1, 2007 may claim a credit under a tax
22 designated by law as the successor tax to the single business tax.
23 The Michigan economic growth authority shall annually determine the
24 amount of the credits allowed under this section in the manner
25 provided under sections 37c and 38g(20)(a)(i) and (b)(i) of former
26 1975 PA 228 and shall issue a certificate to the taxpayer as
27 provided in sections 37c and 38g(21) of former 1975 PA 228. The

1 number of years for which the credit may be claimed under a tax
2 designated by law as a successor tax to the single business tax
3 shall equal the maximum number of years designated in the
4 resolution reduced by the number of years for which a credit has
5 been claimed under sections 37c and 38g(20)(a)(i) and (b)(i) of
6 former 1975 PA 228.

7 (2) A taxpayer that claims a credit under subsection (1) that
8 has an agreement with the Michigan economic growth authority based
9 on qualified new jobs as defined in section 3(n)(ii) of the Michigan
10 economic growth authority act, 1995 PA 24, MCL 207.803, that
11 removes from this state 51% or more of those qualified new jobs
12 within 3 years after the first year in which the taxpayer claims a
13 credit described in subsection (1) shall pay to the department no
14 later than 12 months after those qualified new jobs are removed
15 from the state an amount equal to the total of all credits
16 described in subsection (1) that were claimed by the taxpayer.

17 (3) If the sum of the credits allowed under sections 37c and
18 38g(20)(a)(i) and (b)(i) of former 1975 PA 228 exceeds the tax
19 liability of the taxpayer for the tax year under a tax designated
20 by law as a successor tax to the single business tax, the excess
21 shall be refunded to the taxpayer.

22 Sec. 4. (1) If the single business tax act, 1975 PA 228, MCL
23 208.1 to 208.145, is repealed for tax years beginning after
24 December 31, 2007, except as provided in subsection (2) and for tax
25 years that begin after December 31, 2007, a taxpayer that is a
26 business located and conducting business activity within a
27 renaissance zone may claim a credit against a tax designated by law

1 as the successor tax to the single business tax for the tax year to
2 the extent and for the duration provided in the Michigan
3 renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, equal
4 to the lesser of the following:

5 (a) The tax liability attributable to business activity
6 conducted within a renaissance zone in the tax year.

7 (b) Ten percent of adjusted services performed in a designated
8 renaissance zone.

9 (c) For a taxpayer located and conducting business activity in
10 a renaissance zone before December 31, 2007, the product of the
11 following:

12 (i) The credit claimed under section 39b of former 1975 PA 228
13 for the tax year ending in 2007.

14 (ii) The ratio of the taxpayer's payroll in this state in the
15 tax year divided by the taxpayer's payroll in this state in its tax
16 year ending in 2007 under former 1975 PA 228.

17 (iii) The ratio of the taxpayer's renaissance zone business
18 activity factor for the tax year to the taxpayer's renaissance zone
19 business activity factor for its tax year ending in 2007 under
20 section 39b of former 1975 PA 228.

21 (2) Any portion of the taxpayer's tax liability under a tax
22 designated by law as the successor tax to the single business tax
23 that is attributable to illegal activity conducted in the
24 renaissance zone shall not be used to calculate a credit under this
25 section.

26 (3) The credit allowed under this section continues through
27 the tax year in which the renaissance zone designation expires.

1 (4) The credit allowed under this section shall not exceed the
2 tax liability under a tax designated by law as the successor tax to
3 the single business tax of the taxpayer for the tax year.

4 (5) A taxpayer that claims a credit under this section shall
5 not employ, pay a speaker fee to, or provide any remuneration,
6 compensation, or consideration to any person employed by the state,
7 the state administrative board created in 1921 PA 2, MCL 17.1 to
8 17.3, or the renaissance zone review board created in 1996 PA 376,
9 MCL 125.2681 to 125.2696, whose employment relates or related in
10 any way to the authorization or enforcement of the credit allowed
11 under this section for any year in which the taxpayer claims a
12 credit under this section against the taxpayer's tax liability
13 under a tax designated by law as the successor tax to the single
14 business tax for the 3 years after the last year that a credit
15 under this section is claimed.

16 (6) To be eligible for the credit allowed under this section,
17 an otherwise qualified taxpayer shall file an annual return under
18 this act.

19 (7) Any portion of the taxpayer's tax liability under a tax
20 designated by law as the successor tax to the single business tax
21 that is attributable to business activity related to the operation
22 of a casino, and business activity that is associated or affiliated
23 with the operation of a casino including, but not limited to, the
24 operation of a parking lot, hotel, motel, or retail store, shall
25 not be used to calculate a credit under this section.