



# SENATE BILL No. 247

January 26, 1993, Introduced by Senators CARL and WELBORN  
and referred to the Committee on Finance.

A bill to amend section 37b of Act No. 228 of the Public  
Acts of 1975, entitled  
"Single business tax act,"  
as added by Act No. 283 of the Public Acts of 1986, being  
section 208.37b of the Michigan Compiled Laws.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 37b of Act No. 228 of the Public Acts of  
2 1975, as added by Act No. 283 of the Public Acts of 1986, being  
3 section 208.37b of the Michigan Compiled Laws, is amended to read  
4 as follows:

5 Sec. 37b. (1) ~~A~~ FOR A TAX YEAR BEGINNING BEFORE  
6 JANUARY 1, 1993, A taxpayer engaged in a high technology activity  
7 that qualifies under the criteria of subsection ~~(3)~~ (5) may  
8 credit against the tax imposed by section 31 an amount equal to  
9 the tax liability attributable to that high technology activity.

1 (2) FOR A TAX YEAR BEGINNING AFTER DECEMBER 31, 1992, A  
 2 TAXPAYER ENGAGED IN A HIGH TECHNOLOGY ACTIVITY MAY CREDIT AGAINST  
 3 THE TAX IMPOSED BY SECTION 31 AN AMOUNT EQUAL TO 1 OF THE  
 4 FOLLOWING:

5 (A) THE TAX LIABILITY ATTRIBUTABLE TO THE HIGH TECHNOLOGY  
 6 ACTIVITY IF THE TAXPAYER QUALIFIES UNDER SUBSECTION (5).

7 (B) IF AT LEAST 70% OF THE GROSS RECEIPTS OF THE TAXPAYER  
 8 ARE GENERATED FROM THE HIGH TECHNOLOGY ACTIVITY AND AT LEAST 75%  
 9 OF THE TAX BASE OF THE TAXPAYER IS COMPENSATION, THE PERCENTAGE  
 10 OF THE TAX LIABILITY IMPOSED BY THIS ACT AFTER CALCULATION OF THE  
 11 CREDITS PROVIDED IN SECTIONS 36, 37, 38, AND 39 ACCORDING TO THE  
 12 FOLLOWING SCHEDULE:

13 IF THE RATIO OF ADJUSTED BUSINESS	14 INCOME TO GROSS RECEIPTS IS	THE CREDIT IS
15 NOT MORE THAN 4%		50% OF THE TAX LIABILITY
16 MORE THAN 4% BUT NOT MORE THAN 5%		40% OF THE TAX LIABILITY
17 MORE THAN 5% BUT NOT MORE THAN 6%		30% OF THE TAX LIABILITY
18 MORE THAN 6% BUT NOT MORE THAN 7%		20% OF THE TAX LIABILITY
19 MORE THAN 7% BUT NOT MORE THAN 8%		10% OF THE TAX LIABILITY
20 MORE THAN 8%		NO CREDIT

21 (3) IF A TAXPAYER IS AN ENTITY UNDER COMMON CONTROL OR IS A  
 22 MEMBER OF AN AFFILIATED GROUP OR A CONTROLLED GROUP OF CORPORA-  
 23 TIONS, GROSS RECEIPTS FROM A HIGH TECHNOLOGY ACTIVITY DO NOT  
 24 INCLUDE REVENUES RECEIVED FROM OTHER MEMBERS OF THE GROUP.

25 (4) ~~(2)~~ The tax liability attributable to the high tech-  
 26 nology activity described in ~~subsection (1)~~ SUBSECTIONS (1) AND  
 27 (2)(A) is the tax liability imposed by this act after the  
 28 calculation of the credits provided in sections 36, 37, 38, and

1 39 multiplied by a fraction the numerator of which is the ratio  
2 of property used for the high technology activity to all property  
3 located in this state plus the ratio of payroll for the high  
4 technology activity to all payroll in this state and the denomi-  
5 nator of which is 2.

6 (5) ~~(3) To qualify~~ A TAXPAYER QUALIFIES for the credit  
7 allowed under ~~this section, the taxpayer shall comply with~~  
8 SUBSECTION (1) FOR A TAX YEAR BEGINNING BEFORE JANUARY 1, 1993,  
9 OR FOR THE CREDIT ALLOWED UNDER SUBSECTION (2)(A) FOR A TAX YEAR  
10 BEGINNING AFTER DECEMBER 31, 1992, IF all of the following  
11 APPLY:

12 (a) The high technology activity is the primary purpose and  
13 use of eligible property subject to a tax increment financing  
14 plan that provides for the use of captured assessed value from  
15 that eligible property.

16 (b) The taxpayer was not located in the central city before  
17 the authority district in which the eligible property is located  
18 was created.

19 (c) The department of treasury issues a certificate to the  
20 taxpayer certifying that the eligible property is located in a  
21 central city and is used for a high technology activity and that  
22 the taxpayer meets the other requirements of this section. A  
23 certificate issued under this subdivision shall be effective for  
24 10 years after the date of issuance or until the certificate is  
25 revoked. The department of treasury shall revoke a certificate  
26 if the taxpayer no longer meets the requirements of this

1 section. A certificate shall not be issued by the department of  
2 treasury after December 31, 1991.

3 (6) A TAXPAYER SHALL NOT CLAIM A CREDIT UNDER THIS SECTION  
4 FOR A TAX YEAR IN WHICH THE TAXPAYER CLAIMS A CREDIT UNDER  
5 SECTION 36.

6 (7) ~~(4)~~ The credit allowed under this section shall not  
7 exceed the tax liability of the taxpayer for the tax year.

8 (8) ~~(5)~~ As used in this section:

9 (a) "Authority district", "eligible property", and "tax  
10 increment financing plan" mean those terms as used in the local  
11 development financing act, ACT NO. 281 OF THE PUBLIC ACTS OF  
12 1986, BEING SECTIONS 125.2151 TO 125.2174 OF THE MICHIGAN  
13 COMPILED LAWS.

14 (b) "Central city" means, EXCEPT AS PROVIDED IN  
15 SUBDIVISION (C), a city that has the largest population within a  
16 metropolitan statistical area as designated by the United States  
17 bureau of the census and meets all of the following criteria or a  
18 city that has the largest population within a county, but not  
19 less than 40,000, and meets all of the following criteria:

20 (i) Has had a poverty rate for families that is more than  
21 the statewide average rate as defined by the most recent federal  
22 decennial census.

23 (ii) Shows a population decline from the next most recent to  
24 the most recent federal decennial census.

25 (iii) Has had an increase in state equalized valuation of  
26 real and personal property ~~over~~ DURING the ~~prior~~ IMMEDIATELY  
27 PRECEDING 10 calendar years that is less than the statewide

1 average increase in state equalized valuation ~~over~~ DURING the  
2 ~~prior~~ IMMEDIATELY PRECEDING 10 calendar years.

3 (iv) Has had an unemployment rate higher than the state  
4 average unemployment rate for 3 of the IMMEDIATELY preceding 5  
5 calendar years.

6 (C) ~~However, a central~~ "CENTRAL city" does not ~~include~~  
7 MEAN a city, ~~of which~~ all or a portion OF WHICH has been desig-  
8 nated as an enterprise zone under the enterprise zone act, Act  
9 No. 224 of the Public Acts of 1985, being sections 125.2101 to  
10 125.2122 of the Michigan Compiled Laws.

11 (D) ~~(e)~~ "High technology activity" means ~~an activity~~  
12 ~~specified by section 2(h)(iii) of the local development financing~~  
13 ~~act~~ 1 OF THE FOLLOWING:

14 (i) FOR A TAX YEAR BEGINNING BEFORE JANUARY 1, 1993, AN  
15 ACTIVITY THAT HAS AS ITS PRIMARY PURPOSE RESEARCH, PRODUCT DEVEL-  
16 OPMENT, ENGINEERING, LABORATORY TESTING, OR DEVELOPMENT OF INDUS-  
17 TRIAL TECHNOLOGY, but ~~shall exclude~~ EXCLUDES those businesses  
18 also qualifying as eligible property under section 2(h)(i) or  
19 2(h)(ii) of the local development financing act, ~~or~~ ACT NO. 281  
20 OF THE PUBLIC ACTS OF 1986, BEING SECTION 125.2152 OF THE  
21 MICHIGAN COMPILED LAWS, AND those businesses whose high technol-  
22 ogy activity relates to the activity of a business that also  
23 qualifies as eligible property under section 2(h)(i) or 2(h)(ii)  
24 of the local development financing act, ACT NO. 281 OF THE PUBLIC  
25 ACTS OF 1986.

26 (ii) FOR A TAX YEAR BEGINNING AFTER DECEMBER 31, 1992, ANY  
27 OF THE FOLLOWING MANUFACTURING SERVICE ACTIVITIES:

- 1 (A) MANUFACTURING RESEARCH.
- 2 (B) PRODUCT AND PROTOTYPE DEVELOPMENT AND DESIGN.
- 3 (C) MANUFACTURING ENGINEERING, STYLING, OR DESIGN.
- 4 (D) PRODUCT TESTING.