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SFA**BILL ANALYSIS**

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House Bill 6501 (as reported without amendment)
House Bill 6502 (Substitute S-1 as reported)
Sponsor: Representative Randy Richardville (H.B. 6501)
Representative Jason Allen (H.B. 6502)
House Committee: Tax Policy
Senate Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

House Bill 6501 would amend the Single Business Tax Act and House Bill 6502 would amend the Brownfield Redevelopment Financing Act to extend from January 1, 2003, to January 1, 2008, the deadline for approval of a brownfield project for the purpose of a single business tax (SBT) credit, and the deadline for approval of a brownfield plan that would capture school operating taxes, respectively. The bills also provide that if a project were on property that was functionally obsolete, the taxpayer would have to include, with the application, an affidavit signed by a level three or level four assessor, stating that it was the assessor's expert opinion that the property was functionally obsolete, and stating the underlying basis for that opinion. The bills would make several other changes to the Acts, as described below.

House Bill 6501 would allow a qualified taxpayer to claim a single business tax (SBT) credit if the taxpayer had a preapproval letter (for a brownfield project) issued by the State Treasurer or the Michigan Economic Growth Authority (MEGA) before January 1, 2008. Currently, a preapproval letter must be issued before January 1, 2003.

Under the SBT Act, a "qualified taxpayer" is a taxpayer that owns or leases eligible property (property identified under a brownfield plan); and certifies that the Department of Environmental Quality (DEQ) has not sued or issued a unilateral order to the taxpayer to compel response activity on the property, or spent State funds for response activity on the property. The bill provides that a taxpayer would meet the certification requirement if the taxpayer had completed all required response activity, were in compliance with any deed restriction or administrative or judicial order related to the required response activity, and had reimbursed the State for all related costs.

If a brownfield project will cost more than \$10 million, and is located in a qualified local unit of government, the taxpayer must apply to MEGA for approval. The Authority may approve up to 15 projects each calendar year, subject to certain limitations. The bill provides that if MEGA approved fewer than 15 projects in a calendar year, it could carry forward for one year the difference between 15 and the number of new agreements executed in the immediately preceding calendar year. Each year MEGA could approve the 15 projects for that year plus the number of projects carried forward from the previous year. The carried forward projects could not be approved for more than \$10 million.

Currently, if a qualified taxpayer pays or accrues investment on or to property that is leased for at least 10 years to another taxpayer for use in a business activity, the qualified taxpayer may assign all or a portion of the credit, based on that investment, to the lessee. The bill also would allow a taxpayer to assign all or part of the credit to a taxpayer that purchased the property. The bill further provides that a credit assignment could be made only to a taxpayer that would be a qualified taxpayer when the assignment was complete. A purchaser could subsequently assign a credit or portion of a credit to a lessee of the property.

The Brownfield Redevelopment Financing Act allows the board of a local brownfield redevelopment authority to implement a brownfield plan, and prescribes the content of the plan, including the capture of taxable value and tax increment revenues to be used for projects in a brownfield redevelopment zone. If a brownfield plan includes the capture of taxes levied for school operating purposes, MEGA's approval of a work plan to use those taxes must be obtained before January 1, 2003. House Bill 6502 (S-1) would extend the deadline to January 1, 2008. The bill also would extend from January 1, 2003, to January 1, 2008, the deadline for the DEQ's approval of an authority's work plan or remedial action plan to use school operating taxes for certain eligible activities.

The bill provides that if a brownfield plan included the use of tax increment revenues for the cost of eligible activities attributable to more than one eligible property adjacent and contiguous to all other eligible properties covered by a development agreement, whether or not the captured taxes were levied for school operating purposes, the plan would have to be approved by MEGA, and there would have to be a development agreement between the local municipality and the owner or developer of the property.

The Act requires MEGA, upon receiving a request for approval of a work plan, to provide a written response within 60 days. If MEGA fails to respond within 90 days, an authority may proceed with eligible activities outlined in a work plan. Under the bill, MEGA would have to respond within 65 days and, if it did not do so, an authority could proceed with eligible activities. A written response that included unconditional approval of a work plan would have to include an enumeration of eligible activities and a maximum allowable capture amount. Denial of a plan would have to include a letter stating the reason for denial. If a work plan were denied, it could be resubmitted.

In reviewing a work plan, MEGA must consider specific criteria. The bill would expand the criteria, and require MEGA to consider them to the extent reasonably applicable to the type of activities proposed as part of that work plan when approving or denying a work plan.

MCL 208.38g (H.B. 6501)
125.2663 & 125.2665 (H.B. 6502)

Legislative Analyst: Julie Koval

FISCAL IMPACT

Extending brownfield redevelopment financing through 2007, as proposed by these bills, would allow more single business tax credits to be granted from 2003 to 2007. Based on past experience, the new credits that would be granted under these bills in 2003 and 2004 would reduce single business tax revenue an additional \$15 million to \$20 million each year. It can be argued, however, that without the Brownfield Redevelopment Financing Act, at least some of the environmental cleanup activity, and the resulting single business tax revenue from this activity, would not occur, so the real net loss due to extending these single business tax credits is most likely somewhat less than the estimated \$15 million to \$20 million per year that would be granted in new tax credits each year.

Date Completed: 12-4-02

Fiscal Analyst: Jay Wortley

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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.