



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 569 (Substitute S-1 as passed by the Senate)
Senate Bill 570 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Jason E. Allen
Committee: Finance

Date Completed: 8-16-05

RATIONALE

The Income Tax Act and the Single Business Tax (SBT) Act allow a qualified taxpayer to claim a credit against either or both taxes for qualified expenditures made for the rehabilitation of a historic resource; the credit is equal to 25% of the qualified expenditures. During the tax year in which a credit is claimed, the resource must be located in a designated historic district in a local unit of government with an existing ordinance under the Local Historic Districts Act; in an incorporated local unit of government that does not have an ordinance under that Act and has a population under 5,000; or in a unincorporated local unit of government.

The Bay View Association of the United Methodist Church, located in the incorporated Township of Bear Creek on Little Traverse Bay, is a National Historic Landmark community established in 1875, and consists of more than 30 public buildings, 440 cottages, and two inns situated on 337 acres. The township has grown significantly in recent years and the population now exceeds 5,000. Thus, Association homeowners are ineligible for the historic preservation tax credits. It has been suggested that the eligibility criteria be expanded to allow property owners within the Bay View Association to use the historic preservation credits.

CONTENT

Senate Bills 569 (S-1) and 570 (S-1) would amend the Income Tax Act and the SBT Act, respectively, to allow a qualified taxpayer to receive a tax

credit for the rehabilitation of a historic resource located in an incorporated local unit of government that has no ordinance under the Local Historic Districts Act and that has been chartered under Public Act 39 of 1889.

(Public Act 39 of 1889 allows the incorporation of an association to purchase property for summer homes, camp meetings, and the meetings and assemblies of various associations and societies.)

The bills would be effective for tax years beginning after December 31, 2004.

The Acts define "historic resource" as a publicly or privately owned historic building, structure, site, object, feature, or open space located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act; or that is individually listed on the State Register of Historic Sites or National Register of Historic Places.

"Qualified expenditures" means capital expenditures that qualify for a rehabilitation credit under Section 47(a)(2) of the Internal Revenue Code if the taxpayer is eligible for the credit or, if the taxpayer is not eligible, the qualified expenditures that would qualify under Section 47(a)(2) except that expenditures are made to a historic resource that is not eligible for the credit, that were paid within five years after the certification of the rehabilitation plan that included those expenditures was approved by the State Historic Preservation Office, and that were

paid after December 31, 1998, for the rehabilitation of a historic resource. Qualified expenditures do not include capital expenditures for nonhistoric additions to a historic resource except an addition that is required by State or Federal regulations that relate to historic preservation, safety, or accessibility.

MCL 206.266 (S.B. 569)
MCL 208.39c (S.B. 570)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The historic preservation tax credits help property owners to engage in activities that serve to preserve local character, revitalize communities, stimulate economic activity, and emphasize Michigan's rich heritage. Currently, a historic resource within a local unit of government with a population of 5,000 or more must be located in a designated historic district in order for a property owner to qualify for a historic preservation tax credit. Since the Bay View Association is not located in a designated historic district, its homeowners and businesses are no longer eligible for the credits because the population of the local unit is not under 5,000. Many of the structures within Bay View were built before 1900 and require ongoing work. By allowing the credits to be claimed for a historic resource located outside of a designated historic district in a local unit of more than 5,000 people, the bills would enable Association property owners to continue contributing to the preservation of irreplaceable community assets.

Legislative Analyst: Julie Koval

FISCAL IMPACT

Senate Bill 569 (S-1)

Based on very preliminary data, it is estimated this bill would reduce income tax revenue by less than \$100,000 annually beginning in FY 2005-06. This loss in revenue would be distributed as follows: about 75% of this loss would affect the General Fund and about 25% would affect the School Aid Fund.

Senate Bill 570 (S-1)

Based on very preliminary data, it is estimated this bill would reduce single business tax revenue by less than \$100,000 annually beginning in FY 1005-06. This loss in revenue would affect the General Fund.

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.