

# Legislative Analysis



## **MBT: REN. ZONE AND HISTORIC PRESERVATION CREDITS FOR BANKS AND INSURERS**

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### **House Bill 5125 (Substitute H-1)**

**Sponsor: Rep. Steve Bieda**

### **House Bill 5126 without amendment**

**Sponsor: Rep. Joan Bauer**

**Committee: Tax Policy**

### **First Analysis (9-13-07)**

**BRIEF SUMMARY:** The renaissance zone credit and the historic preservation credit are among the numerous business tax credits that will continue when the state switches from the Single Business Tax to the new Michigan Business Tax on January 1, 2008. These two bills would specify that insurance companies and banks are among the MBT taxpayers that are eligible to claim these credits. House Bill 5125 applies to the renaissance zone credit. House Bill 5126 applies to the historic preservation credit.

**FISCAL IMPACT:** These bills have no State or local fiscal impact.

### **THE APPARENT PROBLEM:**

Public Act 36 of 2007 (Senate Bill 94) created the Michigan Business Tax as a replacement for the state's 30-year-old Single Business Tax. The MBT will take effect January 1, 2008. Many of the credits available to firms under the SBT were carried over to the MBT. Under the new tax, insurance companies and banks have their own separate methods of calculating their tax liabilities and those methods are found in separate chapters of the MBT. Insurance companies are covered by Chapter 2A and banks by Chapter 2B. One unintended consequence of organizing the new act this way is that insurance companies and financial institutions cannot claim some of the credits. Specifically, as the MBT Act is currently written, both banks and insurers cannot claim the renaissance zone credit and insurers cannot claim the historic preservation credit. Legislation has been introduced to correct this situation.

### **THE CONTENT OF THE BILLS:**

The renaissance zone credit and the historic preservation credit are among the numerous business tax credits that will continue when the state switches from the Single Business Tax Act to the new Michigan Business Tax Act on January 1, 2008.

These two bills would specify that insurance companies and banks are among the MBT taxpayers that are eligible to claim these credits. [Insurance companies are taxed under Chapter 2A of the newly enacted MBT and banks under Chapter 2B.] House Bill 5125 applies to the renaissance zone credit (MCL 208.1433) and makes banks and insurers eligible. House Bill 5126 applies to the historic preservation credit (MCL 208.1435) and makes insurers eligible (banks were already included in the act as eligible).

The two bills are tie-barred, meaning neither could take effect unless both were enacted.

**BACKGROUND INFORMATION:**

Historical Preservation Credit. This credit is available under both the state income tax act and the Single Business Tax Act and will be continued in the Michigan Business Tax Act. It allows Michigan property owners and long-term lessees who undertake qualified rehabilitations of certain historic properties to apply for a credit against their tax liabilities of up to 25 percent of qualified rehabilitation expenditures. The purpose of the tax credit program is to provide incentives to homeowners, commercial property owners, and businesses to rehabilitate historic commercial and residential properties. For additional information, see:

[http://www.michigan.gov/documents/hal\\_mhc\\_shpo\\_taxincen\\_52154\\_7.pdf](http://www.michigan.gov/documents/hal_mhc_shpo_taxincen_52154_7.pdf)

Renaissance Zone Credit. This credit allows qualified companies that locate in a Renaissance Zone to take a tax credit based on the business activity in the zone or the adjusted services in the zone. Renaissance zones are virtually free of all state and local taxes for businesses located within their boundaries. According to the Michigan Economic Development Corporation (MEDC), there are over 150 geographic areas in Michigan designated as renaissance zones. For additional information, see:

<http://www.michigan.org/medc/services/sitedevelopment/renzone/index.asp>

**ARGUMENTS:**

**For:**

The bills simply clarify that banks (financial institutions) and insurance companies are eligible for the historic preservation credit and the renaissance zone credit under the Michigan Business Tax just as they were under the Single Business Tax. The MBT is scheduled to replace the SBT on January 1, 2008. Representatives of local government testified that these credits are essential tools for economic development efforts in the state and to restore sometimes blighted historic properties.

**POSITIONS:**

The Department of Treasury supports the bills. (9-12-07)

The City of Lansing testified in support of the bills. (9-12-07)

The Christman Company indicated support for the bills. (9-12-07)

The Michigan Bankers Association indicated support for House Bill 5125. (9-12-07)

The American Insurance Association indicated support for the bills. (9-12-07)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.