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Senate Bill 383 (as introduced 5-12-11)
Sponsor: Senator Mike Kowall
Committee: Economic Development

Date Completed: 5-18-11

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to specify that agreements for certain film industry tax credits could provide credits in an amount *up to* a maximum percentage of expenditures or investments, as determined by the Michigan Film Office with the concurrence of the State Treasurer, rather than for a specific percentage of those expenditures and investments. The bill also would require a postproduction certificate of completion or an expenditure certificate to include the amount of a credit.

Direct Production or Qualified Personnel Expenditures

The Act allows the Michigan Film Office, with the concurrence of the State Treasurer, to enter into an agreement with an eligible production company providing the company with an MBT credit or income tax credit for direct production expenditures or qualified personnel expenditures. The agreement may provide for the company to claim a tax credit of 42% of direct production expenditures for a State certified qualified production in a core community (a qualified local governmental unit as defined by the Obsolete Property Rehabilitation Act), 40% of direct production expenditures for a production in another part of the State, and 30% for qualified personnel expenditures.

Under the bill, those amounts would apply to expenditures made before the bill's effective date. For direct production expenditures or qualified personnel expenditures made on and after the bill's effective date, an agreement could provide for an eligible production company to claim a tax credit, as determined by the Film Office with the concurrence of the State Treasurer, of *up to* 42% for each separate direct production expenditure for a State certified qualified production in a core community, *up to* 40% for each separate direct production expenditure for a State certified qualified production in another part of the State, and *up to* 30% for each separate qualified personnel expenditure.

Film & Digital Media Infrastructure Projects

Until September 30, 2015, the Act allows the Film Office, with the concurrence of the State Treasurer, to enter into an agreement with a taxpayer providing the taxpayer with an MBT credit for an investment in a qualified film and digital media infrastructure project. For investment expenditures made by a taxpayer for all qualified film and digital media infrastructure projects in Michigan, an agreement may provide for the taxpayer to claim a tax credit equal to 25% of the taxpayer's base investment.

Under the bill, that tax credit rate would be available before the bill's effective date. On and after that date, for investment expenditures made by a taxpayer for all qualified film and digital media infrastructure projects in Michigan, an agreement could provide for the taxpayer to claim a tax credit of *up to* 25% of the taxpayer's base investment, as determined by the Film Office with the concurrence of the State Treasurer.

Job Training Expenditures

Until September 30, 2015, the Act allows the Film Office, with the concurrence of the State Treasurer, to enter into an agreement with an eligible production company for an MBT credit for qualified job training expenditures. For a qualified job training expenditure made by a company, the company may claim a tax credit equal to 50% of the qualified job training expenditure.

Under the bill, that tax credit rate would be available before the bill's effective date. On and after that date, for a qualified job training expenditure made by a company, the company could claim a tax credit of *up to* 50% of the qualified job training expenditure, as determined by the Film Office with the concurrence of the State Treasurer.

Credit Amount in Certificate

If the Film Office determines that an eligible production company or a taxpayer has complied with the terms of an agreement, the Film Office must issue to the company, or the taxpayer a postproduction certificate of completion, an investment expenditure certificate, or a qualified job training expenditure certificate, as applicable. Each certificate must be signed by the Michigan Film Commissioner and include certain information. Under the bill, the certificate also would have to include the company's or taxpayer's credit amount.

MCL 208.1455-208.1459

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase General Fund revenue by an unknown amount. The bill would allow credits granted under the Michigan Business Tax's media incentives to be granted at lower levels. These credits are refundable and the bill would increase the General Fund only to the extent that any expenditures were subsidized at rates lower than those specified under current law. The actual amount of any increase would depend on the magnitude of any reduced rates.

Because the MBT Act is to be repealed effective January 1, 2012, for all taxpayers not currently holding on that date an unpaid credit under various MBT Act provisions, the impact of the revenue increase would be expected to decline significantly beginning in FY 2012-13.

Fiscal Analyst: David Zin

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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.