



**House
Legislative
Analysis
Section**

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**BROWNFIELD REDEVELOPMENT:
EXTEND SBT CREDITS & TIFA'S**

House Bill 6501

Sponsor: Rep. Randy Richardville

House Bill 6502

Sponsor: Rep. Jason Allen

Committee: Tax Policy

Complete to 11-8-02

A SUMMARY OF HOUSE BILLS 6501 AND 6502 AS INTRODUCED 11-7-02

House Bill 6501 would amend the Single Business Tax Act and House Bill 6502 would amend the Brownfield Redevelopment Financing Act to extend through 2007 brownfield redevelopment programs that otherwise would end after 2002, and to make other amendments.

House Bill 6501 contains the following amendments to the Single Business Tax Act (MCL 208.38g).

- It would make new brownfield SBT credits available through 2007. Currently, they are available only through 2002.
- Currently, projects with a cost of \$10 million or less (and a credit of \$1 million or less) seeking an SBT credit are approved or denied by the state treasurer. The bill would specify that the state treasurer or a designee could approve an application or project but only the state treasurer could deny an application or project. The bill also would specify that the application by a qualified taxpayer would be made to the Department of Treasury not to the state treasurer.
- If a project was 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 providing the underlying basis for that opinion.
- The Michigan Economic Growth Authority (MEGA) is currently authorized to approve up to 15 projects each calendar year involving credits of over \$1 million (with up to 3 projects involving credits of over \$10 million. Under the bill, if MEGA approved fewer than 15 such projects in a calendar year, it could carry over the remainder to the next year. This means in the subsequent calendar year, MEGA could approve up to 15 projects plus the number carried over from the immediately preceding year. The bill would specify that the carried forward projects could not be approved for more than \$10 million.
- Currently, an SBT brownfield credit can be transferred from a property owner to a lessee of the property under certain circumstances. The bill would allow the credit to be assigned also to a purchaser of the eligible property and would specify that an assignment could only be made to a taxpayer that would be a qualified taxpayer at the time the assignment was complete. A

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purchaser could subsequently assign a credit or any portion of a credit to a lessee of the eligible property.

- If a qualified taxpayer is a partnership, limited liability company, or subchapter S corporation, the taxpayer can assign all or a portion of the credit to its partners, members, or shareholders based on their proportionate share of ownership. The bill would allow this to be done based on an alternative method approved by the Department of Treasury.

- The bill would provide that if a taxpayer determined that an already approved project could not be completed as preapproved, the taxpayer could petition to amend the project. The total of the eligible investment for the project as amended could not exceed the amount allowed in the preapproval letter.

- The definition of a qualified taxpayer includes the requirement that the taxpayer certify that the Department of Environmental Quality had not sued or issued a unilateral order to the taxpayer under the Natural Resources and Environmental Protection Act (NREPA) to compel environmental response activity on or at the eligible property or had not spent state funds for response activity and demanded reimbursement from the taxpayer. Under the bill, the taxpayer would be deemed to have met the criteria if the taxpayer had completed all required response activity, was in compliance with any deed restriction or administrative or judicial order related to the response activity, and had reimbursed the state for all related costs.

House Bill 6502 contains the following amendments to the Brownfield Redevelopment Financing Act (MCL 125.26663 and 125.2665).

- It would allow the creation of brownfield-related tax increment financing programs through 2007. Currently, such programs must be established before January 1, 2003.

- Under the act, if a brownfield plan includes the capture of school operating taxes then the approval of a work plan by MEGA is required and there has to be a development agreement between the municipality and the owner of the property. This requirement would also be extended to the use of tax increment revenues from a brownfield plan for the cost of eligible activities attributable to more than one eligible property that is adjacent and contiguous to all other eligible properties covered by the development agreement, whether or not the captured taxes are used for school operating purposes.

- The act currently requires MEGA to respond to a request for approval of a work plan within 60 days. The bill would allow 65 days. At present if MEGA fails to respond within 90 days, the eligible activities in the work plan would be considered approved. That would also be changed to 65 days. The bill also would alter somewhat the nature of the responses to a request. An unconditional approval would have to include an enumeration of eligible activities and a maximum allowable capture amount. A denial would need to be accompanied by a letter stating with specificity the reason for the denial.

- The bill would add to the criteria that MEGA must consider in reviewing a work plan and would specify that the criteria would have to be considered “to the extent reasonably applicable to the type of activities proposed”. The additional criteria are essentially the same as those used by MEGA in evaluating applications for SBT tax credits. They include the overall benefit to the

public; the extent of reuse of vacant buildings and redevelopment of obsolete property; creation of jobs; whether the eligible property was in an area of high unemployment; the level and extent of contamination alleviated by or in connection with the eligible activities; the level of private sector contribution; the cost gap that exists between the site and a similar greenfield site as determined by MEGA; in cases in which the developer or projected occupant was moving from another location in the state, whether the move would create a brownfield; the financial soundness of the taxpayer and the economic soundness of the project; other state and local incentives available; and any other criteria MEGA considers appropriate.

- Under the bill, if the project was on functionally obsolete property, 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 providing the underlying basis for that opinion.

Analyst: C. Couch

■ 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.