

Other Credits Against Tax

Contributions Credit

Taxpayers can claim a credit equal to 50% of the aggregate amount of charitable contributions made to Michigan public broadcast stations not affiliated with institutions of higher learning, public libraries, institutions of higher learning in Michigan, the Michigan Colleges Foundation, or contributions to a nonprofit corporation, fund, foundation, trust or association organized and operated exclusively to benefit institutions of higher learning. These nonprofit entities must supply financial statements to the auditor general and chairpersons of the legislature's appropriations committees. (MCL 208.38(1))

The institution benefited must also approve the nonprofit entity. The law defines "public library or libraries" (MCL 208.38(4)) and "institution of higher learning." (MCL 208.38(3))

The credit cannot exceed the lesser of (1) 5% of the tax liability for the year, before subtraction of the credit, or (2) \$5,000. (MCL 208.38(2)) The credit cannot exceed the tax. (MCL 208.38(5))

Community Foundation Credit

A taxpayer can claim a credit against the Single Business Tax liability equal to 50% of the amount it contributed during the taxable year to an endowment fund of a community foundation. (MCL 208.38c(1))

The credit cannot exceed 5% of the taxpayer's tax liability for the year before any other credits or \$5,000, whichever is less. (MCL 208.38c(2)) It is nonrefundable so a taxpayer cannot claim a credit amount that reduces its tax liability to less than zero. (MCL 208.38c(3)) The credit cannot be claimed if the taxpayer claims a similar credit under the personal income tax. The law defines "community foundation." (MCL 208.38c(4))

Each year the Department of Treasury must report to the legislature the amount of credit claimed for the immediately preceding tax year. (MCL 208.38c(5)) Each year the Department of Treasury issues a Revenue Administrative Bulletin listing the qualified "community foundations". Michigan Revenue Administrative Bulletin 95-10 describes the criteria for certification for community foundations.

Homeless Shelter Credit

A taxpayer may claim a credit against the Single Business Tax liability for 50% of the cash amount contributed during the taxable year to a shelter for homeless persons, food kitchen, food bank, or other entity, the primary purpose of which is to provide overnight accommodation, food, or meals to persons who are indigent. To qualify for the credit,

the contribution to the entity must be tax deductible for the donor under the IRC. The credit cannot exceed 5% of the taxpayer's tax liability for the tax year or \$5,000, whichever is less. The credit is nonrefundable so that a taxpayer cannot claim a total tax credit amount that reduces the taxpayer's liability to less than zero. (MCL 208.38f)

Public Utility Property Tax Credit

Transportation, telegraph, and telephone companies paying property taxes qualify for a credit of 5% of the property taxes imposed. The credit cannot exceed the SBT tax. It may not be claimed if the taxpayer uses the special allocation formula for transportation companies. (MCL 208.39)

Farmland Preservation Credit

Owners (other than individuals, partnerships and S corporation shareholders) of farmland or related buildings covered by one or more development rights agreements (MCL 324.36104) or, effective March 15, 2002, agricultural conservation easement or purchases of development rights can claim a Single Business Tax credit for the amount by which property taxes on the land and structures covered by the agreement exceed 3.5% of the owner's adjusted business income. (MCL 324.36109(2))

For purposes of the Farmland Preservation Credit, adjusted business income is the same as for the small business credit plus shareholder compensation (not included in adjusted business income) but excluding percentage depletion allowances taken under IRC Sec. 613.

Gross receipts from farming must exceed five times the property taxes on the land for each of three out of the five years before the year in which the credit is claimed. The claimant may elect to compare the past three years' average gross receipts with the first year's property taxes, to meet the eligibility requirement; but once the election is made it is binding. The excess of the credit over taxpayer's single business or income tax liability for the tax year is paid by a state warrant, which is made out to the county treasurer(s) and the claimant, unless the claimant submits a receipt for the tax payment. (MCL 324.36109(2))

The excess of the credit over taxpayer's SBT liability for the tax year is paid by a state warrant, which is made out to the county treasurer(s) and the claimant, (MCL 324.36109(3)) unless the claimant specifies on the return that a copy of the receipt is attached to the return, in which case the payment is made directly to the claimant. (MCL 324.36109(7)) The credit cannot exceed the total property tax due and payable by the claimant in that year. (MCL 324.36109(3))

Industrial Personal Property Tax Credit

Effective for tax years starting on and after January 1, 2006 and before January 1, 2010, a person may claim a credit against the Single Business Tax equal to 15% of the personal property taxes paid in the tax year by the person on industrial personal property.

For tax years beginning on and after January 1, 2006 and before January 1, 2007. (MCL 208.35d)

For tax years beginning on and after January 1, 2007 and before January 1, 2008. (MCL 208.35f)

For tax years beginning on and after January 1, 2008 and before January 1, 2009. (MCL 208.35g)

For tax years beginning on and after January 1, 2009 and before January 1, 2010. (MCL 208.35h)

“Industrial personal property” means personal property classified as industrial personal property under the General Property Tax Act. (Paragraph 6(a) in MCL 208.35d, MCL 208.35f, MCL 208.35g and MCL 208.35h) The General Property Tax Act defines Industrial personal property to include: (1) all machinery and equipment, furniture and fixtures, and dies on industrial parcels, and inventories not exempt by law; (2) industrial buildings on leased lands, and (3) personal property of mining companies valued by the state geologist. (MCL 211.34c(3)(c))

“Property taxes” means any of the following:

- Taxes collected under the General Property Tax Act; (MCL 211.1 to 211.157)
- The industrial facilities tax; (MCL 207.551 to 207.572)
- The obsolete property rehabilitation act; (MCL 125.2781 to 125.2797)
- Any payments made by the taxpayer pursuant to a contract with the Michigan Strategic Fund in connection with the creation of a renaissance zone under the Michigan Renaissance Zone Act, to the extent that those payments are made by the taxpayer to reimburse all taxing units for property taxes that would otherwise be exempt under the General Property Tax Act, and
- Any payments made by a taxpayer pursuant to a contract with an eligible local assessing district to the extent that those payments are made to reimburse taxing units for property taxes that would otherwise be payable under the General Property Tax Act.

(Paragraph 6(b) in MCL 208.35d, MCL 208.35f, MCL 208.35g and MCL 208.35h)

The personal property tax credit is refundable. A taxpayer may claim the credit even if the taxpayer is not required to file an Single Business Tax return. (Paragraph 2 in MCL 208.35d, MCL 208.35f, MCL 208.35g and MCL 208.35h) The credit must be calculated after the application of all other Single Business Tax credits. (Paragraph 5 in MCL 208.35d, MCL 208.35f, MCL 208.35g and MCL 208.35h) If the credit exceeds the Single Business Tax liability of the person for the tax year or if the person does not have a Single Business Tax liability for the tax year, the excess or the amount of the credit is refunded or paid to the person. (Paragraph 4 in MCL 208.35d, MCL 208.35f, MCL 208.35g and MCL 208.35h)

To qualify for the credit for an item of tangible personal property, a person that is otherwise eligible to claim this credit must file within the time required the statement of

personal property described in the General Property Tax Act, for items of tangible personal property that are classified as industrial personal property for the location at which the tangible personal property that is the basis of the credit is located. (Paragraph 3 in MCL 208.35d, MCL 208.35f, MCL 208.35g and MCL 208.35h)

Property Tax Credit Used In the Performance of Transferred Jobs

A 100% personal property tax credit is available to a taxpayer that meets certain statutory criteria. Effective for the 2007, 2008 (MCL 208.35i(2)) or 2009 (MCL 208.35j (2)) tax years, a taxpayer that provides transferred jobs to Michigan may claim a credit against the Single Business tax equal to 100% of the property taxes paid on tangible personal property used in the performance of the transferred jobs. The credit is only available for taxes paid the first year that the taxpayer pays property taxes on that property which must be the same tax year in which the credit based on those property taxes is claimed.

(MCL 208.35i(1)) and (MCL 208.35j(1))

“Property taxes” means any of the following:

- Taxes collected under the General Property Tax Act; (MCL 211.1 to 211.157)
- The industrial facilities tax; (MCL 207.551 to 207.572)
- The obsolete property rehabilitation act; (MCL 125.2781 to 125.2797)
- Any payments made by the taxpayer pursuant to a contract with the Michigan Strategic Fund in connection with the creation of a renaissance zone under the Michigan Renaissance Zone Act, to the extent that those payments are made by the taxpayer to reimburse all taxing units for property taxes that would otherwise be exempt under the General Property Tax Act.
(MCL 208.35i((d))

“Transferred jobs” means jobs that meet all of the following criteria:

- Are jobs that perform high-technology activity or manufacturing jobs;
- Were located in a different state or different country before being moved to Michigan in the tax year in which the taxpayer claims the credit or in the immediately preceding tax year;
- Meet either of the following criteria: (a) represent an overall increase in full-time equivalent (FTE) jobs of the taxpayer in Michigan for the tax year in which the taxpayers claims the credit or the immediately preceding tax year above the total number of FTE jobs of the taxpayer in the tax year immediately preceding that year; or (b) if approved by the Michigan Economic Growth Authority and upon a showing by the taxpayer, meet both of the following: (i) the jobs represent an increase in the number of FTE jobs of the taxpayer in Michigan for the tax year in which the taxpayer claims the credit or the immediately preceding tax year at the facility to which the jobs are transferred above the number of FTE jobs of the taxpayer at the facility for the tax year immediately preceding that year, and (ii) the transfer of jobs to the facility is substantially more likely to occur if the taxpayer receives the credit;
- Is not a job into which an employee transfers if the employee worked in Michigan for the taxpayer, a related entity of the taxpayer, or an entity with

which the taxpayer files a consolidated SBT return in another job prior to beginning the transferred job;

- The benefits for the employee in the transferred job include coverage under health and welfare and noninsured benefit plans, including, but not limited to, prescription coverage, primary health care coverage, and hospitalization that is not limited to emergency room services or subject to dollar limits, deductibles, and coinsurance provisions that are not less favorable than those for physical illness generally. (MCL 208.35i(9)(e))

“Facility” means, as determined by the Michigan Economic Growth Authority, a site or combination of sites in Michigan at which transferred jobs are located. (MCL 208.35i(9)(a))

“High-technology activity” means as that term is defined in the Michigan Economic Growth Authority Act. (MCL 207.803)

“Manufacturing jobs” are jobs for a company that has a classification under sector 33, subsector 321 or subsector 322 of the North American Industrial Classification System (NAICS). (MCL 208.35i(9)(c))

The Michigan Economic Growth Authority (MEGA) determines if the taxpayer provides transferred jobs. If MEGA determined that the taxpayer provides transferred jobs, it must issue to the taxpayer a certificate.

Personal property taxes used to calculate the credit allowed cannot be used to calculate the credit for property taxes on industrial personal property. (MCL 208.35i(6)) and (MCL 208.35j(7))

The credit must be calculated after application of all other Single Business Tax credits. (MCL 208.35i(7)) and (MCL 208.35j(8))

If the credit allowed exceeds the taxpayer's tax liability for the tax year, the excess must be refunded. (MCL 208.35i(8)) and (MCL 208.35j(9))

Unincorporated Taxpayer and S Corporation Credit

A Single Business Tax credit is provided to unincorporated entities where the taxable income from such entities flows through to the personal income tax return. The purpose of the credit is to soften the harsh effects of paying tax twice on the same income. The intent of the credit was to provide the benefit to flow through entities. (MCL 208.37)

Section 36 of the Single Business Tax Act provides a credit to “Every taxpayer who is unincorporated or who elects the subchapter S provisions of the internal revenue code ...”. However, a Limited Liability Company (LLC) can qualify for the credit whether the LLC files as a partnership or files the election to be taxed as a corporation. (RAB 1999-9)

This credit is allowed for a portion of the Single Business Tax liability according to the following schedule:

1. Allowed to unincorporated, "S" corporation taxpayers and Limited Liability Companies.
2. Applied to tax due after small business credit reduction and college contribution credit.
3. Based on the following table:

If Business Income Is: The Credit Is:

\$20,000 or less	20% of the	Single Business Tax Liability
More than \$20,000 but less than \$40,000	15% of the Single Business Tax Liability	
\$40,000 or more	10% of the	Single Business Tax Liability

Enterprise Zone Credit

The Enterprise Zone Act, P.A. 224 of 1985 (MCL 125.2101), was created to encourage businesses to locate and expand in areas which have high unemployment, low income, high property taxes and low property value. The Single Business Tax was amended by Act 226 of the Public Acts of 1985 (MCL 208.37a), to allow a qualifying business a credit against the Single Business Tax.

Upon certification by the Enterprise Zone Authority, the qualified business becomes eligible for a Single Business Tax Credit. The business may credit against the tax an amount equal to the tax liability attributable to a qualified business activity in an enterprise zone.

The tax liability attributable to a qualified activity is calculated by first determining the tax liability imposed after the calculation of the Small Business Credit, "S Corporation Credit", Charitable Contributions Credit, and the credit of railroad, depot, telegraph and telephone companies and others owning or operating railroad cars, and transporters of oil or gas by pipeline. (MCL 208.37a(2))

This tax liability is then multiplied by one of the following:

1. For a new business, a fraction the numerator of which is the ratio of property located in the enterprise zone to all property located in this state plus the ratio of payroll in the enterprise zone to all payroll in this state and the denominator of which is 2. (MCL 208.37a(2)(a))
2. For an existing business, a fraction the numerator of which is the ratio of the value of a new facility as defined in the Enterprise Zone Act to all property located in this

state plus the ratio of payroll in the enterprise zone to all payroll in this state and the denominator of which is 2. (MCL 208.37a(2)(b))

The terms "new business" and "existing business" are defined in the Enterprise Zone Act Sections 2(h) and (i).

The credit allowed by this section shall not exceed the tax liability of the taxpayer for the tax year. There is not carry forward of any excess credit. (MCL 208.37a(3))

Investment Credit For Minority Venture Capital Company

A credit is available for investments made under the Michigan Strategic Fund Act (MCL 125.2001) in an equity interest of a minority venture capital company or a MESBIC (a small business investment company licensed under 301(d) of the federal Small Business Investment Act of 1958, 15 USC 681(d)).

The credit is 50% of the claimant's qualified investments. If made after 6-25-86, the credit claimant received a tax credit certification in that taxable year.

Any excess or unused carry forward credit is not refunded but is carried forward until used or recaptured. There is no provision for any carry back.

If a company's certification is revoked within six years after the tax year for which a claimant who is an "insider" of that company has received a credit for investment in that company, the credit will be revoked and all carried forward credits of the taxpayer for investments in that company will be forfeited and any previously applied portion of that credit will be added to the taxpayer's tax liability in the tax year when revocation occurred. In addition "insider" is and officer, director, or employee, or a person who owns 10% or more of the company. (MCL 208.36b)

Credit for Insurance Companies

An insurance company may claim a credit against the Single Business Tax and surcharge, subject to the limitations for the following amounts paid to: (MCL 208.22c)

1. The Michigan worker's compensation placement facility;
2. The Michigan basic property insurance association;
3. The Michigan automobile insurance placement facility;
4. The property and casualty guaranty association;
5. Life and health guaranty association.

Apprentice Training Credit

Taxpayers can take a credit against the Single Business Tax for certain expenses they incur in providing apprentice training. (MCL 208.38e(1))

The credit equals the total of:

- 50% of (1) salary and wages paid to an apprentice; and (2) fringe benefits and other payroll expenses paid for the apprentice's benefit; and
- 100% of classroom instruction costs and related expenses (for example, tuition, fees, and books for college-level courses taken while apprentice is enrolled in high school). (MCL 208.38e(5)(d))

There is a credit limit of \$2,000 for each apprentice trained by the taxpayer in the tax year. Effective for tax years that begin after December 31, 2003, the credit limit is \$4,000 for each apprentice, and \$1,000 for each special apprentice, trained by the taxpayer in the tax year for companies that have a classification under the North American Industrial Classification System (NAICS) of 333511 (industrial mold manufacturing), 333512 (machine tool manufacturing-metal cutting types), 333513 (machine tool manufacturing-metal forming types), 333514 (special die and tool, die set, jig and fixture manufacturing), or 333515 (cutting tool and machine tool accessory manufacturing). (MCL 208.38e(1))

The above qualified expenses are costs paid by the taxpayer in a tax year starting after December 31, 1996 that were not paid for with funds the taxpayer received or retained that the taxpayer would not otherwise have received or retained and that are used for apprentice training. (MCL 208.38e(5)(d))

The credit is refundable. Thus, if it exceeds the taxpayer's liability, that part of the credit is refunded. (MCL 208.38e(2))

The credit is claimed on the Single Business Tax annual return (Form C-8000). For taxpayers not required to file, the credit can be claimed on Form C-8044, a successor form for those required to file an annual return, or other simplified form. (MCL 208.38e(3))

An apprentice is someone who:

- is a Michigan resident;
- is between ages 16 and under 20;
- has not obtained a high school diploma;
- is enrolled in high school or a general education development (G.E.D.) test preparation program; and
- is trained by a taxpayer through a qualified program. (MCL 208.38e(5)(a))

A program is qualified if meets all of the following criteria: (MCL 208.38e(5)(a))

- Program is registered with the U.S. Department of Labor's Bureau of Apprenticeship and Training.
- Program is provided by an apprenticeship agreement between taxpayer and apprentice.
- Program is filed with local workforce development board.
- Minimum term in hours for program is at least 4,000 hours.

A special apprentice is a person who: is not an apprentice as defined herein; is a Michigan resident; is 16 years of age or older but younger than 25 years of age; and is trained by a taxpayer through a program that meets all of the criteria under MCL 208.38e(5)(a).

Qualified Start-Up Business Credit

The Single Business Tax Act was amended in 2004 to create a single business tax credit for a "qualified start-up business", for tax years beginning after December 31, 2004. (PA 126 of 2004)

A taxpayer that was a qualified start-up business, did not have business income for two consecutive tax years, could claim a credit against the Single Business Tax for the second year and each immediately following consecutive tax year in which the taxpayer did not have business income. (MCL 208.31a(1))

The credit would equal the taxpayer's SBT liability for the tax year in which the taxpayer had no business income. If the taxpayer had business income in any tax year after the credit was claimed, the taxpayer could claim the credit for any following tax year only if it subsequently had no business income for two consecutive years. The taxpayer could claim the credit for the second of those two consecutive tax years and each immediately following tax year in which the taxpayer had no business income. The credit could not be claimed for more than five years in total.

A "Qualified start-up business" would mean a business that had fewer than 25 full-time equivalent employees; had sales under \$1 million in the tax year for which the credit was claimed; and was not publicly traded. Research and development would have to make up at least 15% of the business's expenses in the tax year for which the credit was claimed. (MCL 208.31a(5)(c))

The taxpayer would have to meet criteria regarding its contribution liability under the Michigan Employment Security Act. (MCL 208.31a(5)(v))

Payments to shareholders, directors, officers, partners, or individual owners could not exceed \$135,000 for the tax year for which the credit was claimed. (MCL 208.31a(4))

Credit for Consumption of Hematite

Effective for tax years starting after December 31, 2000 a taxpayer may claim a credit equal to \$1 per long ton of qualified low-grade hematite consumed in an industrial or manufacturing process. The credit is non refundable but can be carried forward for five years.
(MCL 208.39d(1))

If the credit allowed under this section for the tax year and any unused carry forward of the credit allowed under this section exceed the tax liability of the taxpayer for the tax year, the excess shall not be refunded, but may be carried forward as an offset to the tax liability in subsequent tax years for 5 tax years or until the excess credit is used up, whichever occurs first. (MCL 208.39d(2))

The credit under this section shall be based on low-grade hematite consumed on and after January 1, 2000. As used in this section:

“Consumed in an industrial or manufacturing process” means a process in which low-grade hematite is used as a raw material in the production of pig iron or steel. (MCL 208.39d(4)(a))

“Low-grade hematite” means any hematitic iron formation that is not of sufficient quality in its original mineral state to be mined and shipped for the production of pig iron or steel without first being drilled, blasted, crushed, and ground very fine to liberate the iron minerals and for which additional beneficiation and agglomeration are required to produce a product of sufficient quality to be used in the production of pig iron or steel. (MCL 208.39d(4)(b))

“Qualified low-grade hematite” means pellets produced from low-grade hematitic iron ore mined in the United States. (MCL 208.39d(4)(c))

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