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LANSING, MICHIGAN 48922

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ENTERPRISE ZONE ACT
SALES AND USE TAX EXEMPTIONS AND
SINGLE BUSINESS TAX CREDIT

RAB-88-1. The purpose of this Bulletin is to clarify the Sales, Use and Single Business Tax treatment of a business that is qualified under the Enterprise Zone Act.

Background

The Enterprise Zone Act, P.A. 224 of 1985 being MCL Sections 125.2101 et seq., 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 Sales and Use Tax Acts were amended by Act 225 of the Public Acts of 1985 and Act 13 of the Public Acts of 1986, being Sections MCL 205.54j and MCL 205.94h, respectively, to allow a certain exemption from these taxes to a qualified business as certified under the Enterprise Zone Act. Additionally, the Single Business Tax was amended by Act 226 of the Public Acts of 1985, being Section MCL 208.37a, to allow a qualifying business a credit against the tax.

Results of Qualification

1. Sales and Use Tax

Upon certification by the Enterprise Zone Authority, the qualified business shall be exempt from the Sales and Use Tax on tangible personal property purchased by or leased to the qualified business for use in a qualified business activity and not for resale or resale leasing.

The exemption also shall not apply to contractors purchasing or using tangible personal property for affixation to realty of a qualified business.

When making a purchase or lease exempt from sales or use tax, the qualified business shall present a copy of its approved certification as a qualified business. The Department of Treasury will not issue a separate certification of exemption.

2. 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 for railroad, depot, telegraph, and telephone companies and others owning or operating railroad cars, and transporters of oil or gas by pipeline. This tax liability is then multiplied by one of the following:

- A. 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.
- B. 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.

The terms "new business" and "existing business" are defined in the Enterprise Zone Act sections 3(h) and (i).

The credit allowed by this section shall not exceed the tax liability of the taxpayer for the tax year. There is no carryforward of any excess credit.