



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 4840 (Substitute H-1 as passed by the House)  
Sponsor: Representative Beverly Hammerstrom  
First House Committee: Tax Policy  
Second House Committee: Commerce  
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-4-96

**CONTENT**

**The bill would amend the Single Business Tax Act to extend from December 31, 1996, to December 31, 1999, the deadline for the initial certification of authorized businesses by the Michigan Economic Growth Authority (MEGA) for tax credits.**

Currently, the Act provides for single business tax credits for businesses authorized by MEGA to receive the credits based on eligibility criteria specified in the Michigan Economic Growth Authority Act. Specifically, the Single Business Tax Act provides that for tax years beginning after December 31, 1994, and for a period of up to 20 years as determined by MEGA, a taxpayer that is an authorized business may claim an SBT credit for the amount certified each year by MEGA, up to the amount of its payroll attributable to employees who perform qualified new jobs multiplied by the tax rate. Further, the Act specifies that, for the same tax years plus any carryforward years allowed, an authorized business may claim an SBT credit equal to the tax liability attributable to authorized business activity.

The Act prohibits a taxpayer from claiming either of the SBT credits until MEGA has issued a certificate to the taxpayer. In addition, neither credit may be claimed if the taxpayer's initial certification is issued after December 31, 1996. The bill would extend the certification deadline to December 31, 1999.

MCL 208.37c & 208.37d

Legislative Analyst: L. Burghardt

**FISCAL IMPACT**

This bill would have a fiscal impact on State government; however, it is not possible to provide a meaningful estimate of the impact. In order to calculate the fiscal impact of this bill, estimates would have to be made on such important factors as 1) the number of businesses that would be granted these single business tax credits by MEGA, 2) the number of new jobs that these businesses would generate, 3) the amount of earnings that would be paid these new workers, and 4) the amount of business activity that would be generated. There is not enough information available to make these estimates. Based on information from the Jobs Commission, during 1995 and so far in 1996, 26 businesses have been granted SBT credits and it is estimated that over a 20-year period these credits will reduce the businesses' SBT liabilities by \$165 million.

Fiscal Analyst: J. Wortley

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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.