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SFA**BILL ANALYSIS**

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Senate Bill 573 (as introduced 5-5-99)

Sponsor: Senator Mike Rogers

Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 5-10-99

CONTENT

The bill would amend the Single Business Tax Act to extend for four years, until December 31, 2003, 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 (SBT) 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, 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, 1999. The bill would extend the certification deadline to December 31, 2003.

MCL 208.37c & 208.37d

Legislative Analyst: N. Nagata

FISCAL IMPACT

It is not possible to estimate the impact this bill would have on State revenue because there is no way to reasonably estimate the following factors: 1) the number of businesses that will apply for and be granted the MEGA tax credits, 2) the number of jobs that will be created, 3) whether these businesses would make investments in Michigan even without these special tax incentives, and 4) to what extent businesses already in Michigan would be affected, positively or negatively, by these new business expansions. Since 1995, when the first MEGA credits were awarded, 59 businesses have been granted tax credits totaling \$349 million. The average business among these 59 businesses received tax credits totaling \$5.9 million spread over a period of 15.9 years.

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.