

MEGA ABATEMENT FOR PHARMACEUTICAL COMPANY



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FISCAL ANALYSIS

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HOUSE BILL 6077 SUBSTITUTE (H-1)

Sponsor: Rep. Gary Woronchak

House Committee: Energy and Technology

FLOOR ANALYSIS - 9/24/02

Analyst(s): Bob Schneider

SUMMARY

The bill would amend the Michigan Economic Growth Authority Act to allow the Michigan Economic Growth Authority (MEGA) to enter into an agreement with an "eligible pharmaceutical company" that agrees to create and retain 5 qualified new jobs for a tax credit against the Single Business Tax. Generally, firms expanding in Michigan need to create and retain 75 qualified new jobs in order to be eligible for a credit under the act. [unless the firm is designated as a "high-technology business" or is located in a state or federal economic development zone (e.g. Renaissance Zone, federal empowerment zone)]. Under a separate section of the act, firms undergoing an expansion can also qualify for a credit if the firm makes new capital investment of at least \$250.0 million and maintains 500 retained jobs.

"Eligible pharmaceutical company" is defined in the bill as a company that is a) engaged primarily in manufacturing, research and development, and sale of pharmaceuticals; b) has not less than 8,500 employees located in Michigan within a 100-mile radius of each other; c) has not less than 5,000 engaged primarily in research and development of pharmaceuticals; and d) enters into a written agreement with MEGA not later than 18 months after the eventual effective date of the bill.

To the extent that MEGA exercised the authority granted by the bill to offer an SBT tax credit to an eligible pharmaceutical company, the bill would reduce state general fund/general purpose revenues. The amount of any tax credit would be determined by MEGA. Tax credits can be offered for up to 20 years and are limited in size by the amount of job creation and/or capital investment initiated by the firm receiving the credit.