Legislative Analysis

HOUSE FISCAL AGENCY

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CREATED JOBS SBT CREDIT

Senate Bill 1274 (Substitute H-1)
Sponsor: Rep. Cameron S. Brown
Senate Committee: Economic Development, Small Business and Regulatory Reform
House Committee: Commerce

Complete to 6-30-04

A SUMMARY OF SENATE BILL 1274 (H-1) AS REPORTED FROM COMMITTEE

The bill would amend the Single Business Tax Act to allow employers with gross receipts of $10 million or less in a tax year to claim a credit based on the number of employees earning not more than $85,000 per year who are performing “created jobs”. This would apply for the 2005 tax year.

If the taxpayer made capital investments in the state of less than $150,000, the credit would equal .050 percent (one half of one percent) of the compensation paid to employees in created jobs. If the taxpayer made capital investments of $150,000 or more and less than $750,000, the credit would equal 1.5 percent. If capital investments were $750,000 or more, the credit would equal 2 percent of compensation. If the credit exceeded the taxpayer’s tax liability, the excess could be carried forward as an offset to tax liability in subsequent tax years for 10 tax years or until used up, whichever came first. (The excess would not be refunded.)

The term “created jobs” would refer to jobs that met all of the following criteria: 1) jobs that perform high technology activity or manufacturing jobs; 2) jobs that did not exist in the state in the immediately preceding tax year; 3) jobs that represented an overall increase in full-time equivalent jobs of the taxpayer in Michigan for the tax year above the total number of full-time equivalent jobs in the state in the immediately preceding tax year; 4) the job was not one into which an employee transferred if he or she worked in the state for the taxpayer, a related entity of the taxpayer, or an entity with which the taxpayer filed a consolidated return; 5) a job carrying benefits for the employee that included coverage under health and welfare and noninsured benefit plans, including prescription coverage, primary health care coverage, and hospitalization not limited to emergency room services or subject to dollar limits, deductibles, and coinsurance provisions less favorable than for physical illness generally; and 6) the job was not a qualified new job used to calculate Michigan Economic Growth Authority (MEGA) credits.

For the purposes of determining compensation paid to employees, the taxpayer could not include compensation paid to an active shareholder or officer, shareholder of an S corporation, a partner of a partnership, a member of a limited liability company, or in the case of a sole proprietor, an individual who is the taxpayer's spouse, parent, sibling, child, stepchild, adopted child, or stepparent.

A member of an affiliated group, a controlled group of corporations, or an entity under common control would have to determine gross receipts for the purposes of the bill on a consolidated basis.

FISCAL IMPACT:

This bill would reduce single business tax revenue, all of which is General Fund/General Purpose (GF/GP) revenue, by an estimated $3 to $5 million in tax year 2005. Approximately 75% of the fiscal impact would affect FY 2004-05 and 25% would affect FY 2005-06. This bill would have no direct impact on local units of government.

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