



**House  
Legislative  
Analysis  
Section**

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**MEGA SBT CREDITS:  
PHARMACEUTICAL COMPANIES**

**House Bill 4454**

**Sponsor: Rep. Jacob Hoogendyk**

**Committee: Commerce**

**Complete to 5-2-03**

**A SUMMARY OF HOUSE BILL 4454 AS INTRODUCED 3-25-03**

The bill would amend the Michigan Economic Growth Authority Act to make certain pharmaceutical companies eligible to apply for single business tax credits available under the MEGA act.

The bill would define an “eligible pharmaceutical company” as a company that:

- Is engaged primarily in manufacturing, research and development, and sale of pharmaceuticals.
- Has at least 8,500 employees located in Michigan, all of whom are located within a 100-mile radius of each other.
- Has at least 5,000 employees engaged primarily in research and development of pharmaceuticals.
- Enters into a written agreement with the MEGA no later than 18 months after the effective date of House Bill 4454.

Written agreement and tax credit. MEGA and a pharmaceutical company that met these eligibility requirements could enter into a written agreement allowing the company specific SBT credits in a specific amount and for a specific duration. The bill, in conjunction with current law, would provide three paths by which a pharmaceutical company could apply for and receive the credits. First, a pharmaceutical company that expanded operations or located a facility in the state could create a minimum of five qualified new jobs at a site or sites within the first year of expanding or locating in the state and would continue to get the credit for each tax year that it retained those jobs. (A company creating new jobs would have to meet several other conditions specified under current law.) Second, like any eligible business under current law, a pharmaceutical company that was located in the state on the date of its application could agree to make a new capital investment of \$250 million in the state and to retain 500 jobs on an ongoing basis. Third, like any eligible business under current law, a pharmaceutical company could agree to relocate production of a product to the state after the date of its application, to make capital investment of \$500 million, and to retain 500 jobs on an ongoing basis.

Transfer of MEGA to the Michigan Strategic Fund. The bill would also amend the act to reflect the transfer of MEGA from the Michigan Jobs Commission to the Michigan Strategic Fund, as accomplished by Executive Order 1999-1. (The order transferred MEGA “and all of its statutory authority, powers, duties, functions and responsibilities, including the functions of

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budgeting, procurement, personnel and management related functions” to the Michigan Strategic Fund.)

Eliminate obsolete reference to International Tradeport Development Authority Act. The bill would eliminate an obsolete reference to the International Tradeport Development Authority Act, which was repealed by Public Act 90 of 2002.

MCL 207.803 et al.

Analyst: C. Couch

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.