



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1396 (as enrolled)
Sponsor: Senator Valde Garcia
Senate Committee: Commerce and Labor

PUBLIC ACT 398 of 2004

Date Completed: 1-3-05

RATIONALE

The Michigan Economic Growth Authority (MEGA) Act is designed to promote economic growth and job creation in the State by offering single business tax (SBT) credits to firms that create and maintain jobs in Michigan. Some companies planning expansion projects, however, might consider building their facilities in other states if their investments are not large enough to qualify for the credits. Businesses can qualify for the Act's tax credits in several ways. Previously, for a business maintaining 100 jobs at a facility, it could qualify by making new capital investment equal to the greater of \$150,000 per retained job maintained or \$15 million by the end of 2006. Some people believed that this investment requirement was too high.

new capital investment at that facility equal to the greater of \$150,000 per retained job maintained at the facility or \$15.0 million, to be completed by December 31, 2006. The bill reduced the capital investment requirement to \$100,000 per retained job, or \$10 million.

In addition, under the Act, some rural businesses may qualify for an SBT credit. Previously, a business had to be located in a county with a population of 75,000 or less to qualify as a "rural business". The bill increased the maximum population to 80,000.

MCL 207.803 & 207.808

CONTENT

The bill amended the Michigan Economic Growth Authority Act to reduce the amount of new capital investment a business that maintains at least 100 jobs at a single facility must make at that facility in order to qualify for an SBT credit. The bill took effect on October 15, 2004.

The Act allows MEGA to enter into an agreement with an eligible business for an SBT credit if the business meets one or more of the criteria specified in the Act. Under one set of criteria, the agreement must provide for the repayment of all or part of the SBT credit for a violation of the agreement. Under those criteria, an eligible business qualified for an SBT credit if it was located in this State on the date it applied for a credit, maintained at least 100 retained jobs at a single facility, and agreed to make

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The State has been losing jobs in recent years and one possible reason is that some companies looking to expand their operations choose sites in other states in order to avoid SBT liability. The SBT may serve as a disincentive to expansion in part because one of the principal factors in determining a company's tax obligation is its payroll. The SBT credit under the MEGA Act is designed to make Michigan more competitive with other states and encourage businesses to expand their facilities here. Some companies, however, that wish to expand their Michigan operations might find themselves unable to meet the capital

investment threshold necessary to qualify for the credit. By lowering the threshold to \$100,000 per retained job, or \$10 million, the bill should help Michigan retain expanding businesses that otherwise might leave the State to avoid increased SBT obligations.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill will have no new fiscal impact on State or local government. The section this bill amended was originally enacted in order to provide a tax credit to Michigan Packaging in Mason, Michigan. This bill reduced the amount of capital investment that must be completed by this company in order to be eligible for the tax credit. In addition, the bill will have no fiscal impact on the Michigan Strategic Fund.

Fiscal Analyst: Jay 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.