



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 introduced 9-15-2004)  
Sponsor: Senator Valde Garcia  
Committee: Commerce and Labor

Date Completed: 9-21-04

### **CONTENT**

**The bill would amend the Michigan Economic Growth Authority (MEGA) Act to reduce the amount of new capital investment a business that maintains at least 100 jobs at a single facility must agree to make at a facility to qualify for a single business tax (SBT) credit.**

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 these criteria, an eligible business may qualify for an SBT credit if it is located in this State on the date of applying for a credit, maintains at least 100 retained jobs at a single facility, and agrees to make 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 would reduce the capital investment requirement to \$100,000 per retained job or \$10.0 million.

MCL 207.808

### **BACKGROUND**

The Michigan Economic Growth Authority was established in 1995 to promote economic growth and job creation in the State. The Authority presently exists within the Michigan Strategic Fund. Companies engaged in manufacturing, research and development, wholesale and trade, or office operations that are financially sound and have financially sound proposed plans may be eligible to receive a tax credit against the SBT. This credit is for the incremental SBT liability attributable to an expansion/new location project and/or the amount of personal income tax attributable to the creation of new jobs. Each credit may be awarded for up to 20 years and 100% of the amount attributed to the project.

Instead of meeting the conditions described above, an eligible business entering into an agreement with a repayment provision, may qualify for an SBT credit if it meets one or more of the following criteria:

- Is located in Michigan on the date of the application, makes new capital investment of \$250 million in the State, and maintains 500 retained jobs, as determined by the Authority.
- Relocates production of a product to the State after the date of application, makes capital investment of \$500 million in the State, and maintains 500 retained jobs, as determined by the authority.

- Maintains 150 retained jobs at a facility, maintains 1,000 or more full-time jobs in the State and makes new capital investment in the State.
- Is a distressed business.

The Acts defines "eligible business" as a business that proposes to maintain retained jobs after December 31, 1999, or to create qualified new jobs in Michigan after April 18, 1995, in manufacturing, mining, research and development, wholesale and trade, or office operations, or a business that is a qualified high-technology business.

Legislative Analyst: J.P. Finet

### **FISCAL IMPACT**

The bill would have no new fiscal impact compared with current law on State or local government. The section this bill proposes to change was originally enacted in order to provide a tax credit to Michigan Packaging in Mason, Michigan. This bill would reduce 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 would 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.