



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



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

House Bill 4454 (as reported by the Committee of the Whole)  
Sponsor: Representative Jacob Hoogendyk  
House Committee: Commerce  
Senate Committee: Commerce and Labor

### **CONTENT**

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to allow an "eligible pharmaceutical company" to receive certain credits under the Single Business Tax Act. An "eligible pharmaceutical company" would have to be engaged primarily in the manufacture, research and development, and sale of pharmaceuticals; have at least 8,500 employees located in Michigan, all within 100 miles of each other; have at least 5,000 of its Michigan employees engaged primarily in research and development of pharmaceuticals; and enter into a written agreement with MEGA within 18 months after the bill's effective date.

Under the MEGA Act, the Authority may enter into an agreement with an eligible business for certain single business tax (SBT) credits if the business meets various conditions, including the creation and maintenance of a specified number of qualified new jobs. Under the bill, an eligible pharmaceutical company also would have to create a minimum of five qualified new jobs within 12 months of the company's expansion or location in Michigan and agree to maintain at least five qualified new jobs at the facility for each year that an SBT credit was authorized.

MCL 207.803 et al.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

If the Authority were to provide an SBT credit that otherwise would not be provided to another taxpayer, the bill would reduce General Fund/General Purpose revenues by an unknown and potentially significant amount. The bill would reduce revenues only if MEGA were to find that an eligible pharmaceutical company met the job creation and investment eligibility requirements and if the credit would be in addition to or replace and exceed what would be provided to other taxpayers under the current law. The reduction in revenues also assumes that the bill would be interpreted to allow the eligible pharmaceutical company to receive the credit, even though the definition of eligible business, which a company must meet to receive a credit, does not include an eligible pharmaceutical company.

The bill likely would have little effect on the intrastate distribution of activity for an eligible pharmaceutical company and thus little impact on local revenues. Based on the information available, the only company in Michigan that apparently would qualify as an eligible pharmaceutical company is Pfizer, Inc., which still could relocate employees within the State (for instance, all 8,500 employees could be located at the same facility and not spread out across a 100-mile radius) and still meet the qualifications to receive the credit.

Date Completed: 12-2-03

Fiscal Analyst: David Zin