

# Legislative Analysis



## SBT CREDIT FOR HYBRID TECHNOLOGY R&D

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**House Bill 4971 (Substitute H-2)**

**Sponsor: Rep. Fulton Sheen**

**Committee: Tax Policy (discharged)**

**Complete to 6-21-06**

## A SUMMARY OF THE H-2 FLOOR SUBSTITUTE FOR HOUSE BILL 4971

The bill would amend the Single Business Tax Act (MCL 205.32) to provide a credit against the tax equal to 3.9 percent of the compensation paid by the taxpayer to employees at a leased facility located within a "qualified city" for research and development activities related to a 2-mode hybrid system primarily used for the propulsion of motor vehicles. A "qualified city" would be one with a population between 80,000 and 82,000 and located in a county with a population between 1 million and 1.3 million, according to the 2000 census. The credit would be capped at \$3 million for any one taxpayer in a single tax year.

To be eligible for the credit, the taxpayer would have to enter an agreement with the Michigan Economic Growth Authority (MEGA) before January 1, 2007 that specifies the type and number of jobs at the facility to which the credit applies, the type of work to be performed, and any other conditions that MEGA considers necessary to be in the public interest. The credit would be available for tax years that begin on or after January 1, 2006 and end before January 1, 2016.

## FISCAL IMPACT:

Based on Bureau of Labor Statistics data from the National Compensation Survey, the bill would reduce Single Business Tax (SBT) revenue by \$2.5 million to \$3.0 million per year.

## BACKGROUND INFORMATION:

The bill essentially provides a tax credit for the new Hybrid Development Center located in Troy (Oakland County). The center is a joint venture between General Motors, DaimlerChrysler, and BMW, known as the Global Hybrid Cooperation, to develop a two-mode hybrid drive system that aims to reduce fuel consumption without compromising vehicle performance. A September 2005 press release from General Motors states, "While the base two-mode hybrid design will be common, each company will individually integrate the hybrid system into the design and manufacturing of vehicles in accordance with their brand specific requirements." In the two-mode system, a vehicle can be powered by two electric motors, by the combustion engine, or by a combination of the two.

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