

Legislative Analysis



RURAL MEGA CREDITS

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House Bill 5640 (Substitute H-1)

Sponsor: Rep. Tom Casperson

Committee: Commerce

Complete to 3-7-06

A SUMMARY OF HOUSE BILL 5640 AS REPORTED FROM COMMITTEE

The bill would amend the Michigan Economic Growth Authority Act, under which qualifying businesses can receive single business tax credits. The bill would amend the act in the following ways to affect eligibility standards for firms.

**** It would add to the businesses qualifying for tax credits under the act *a business that maintains 175 retained jobs and makes new capital investment in a county with a population of between 7,500 and 8,000.*** (This appears to apply only to Ontonagon County.)

**** It would change the definition of "rural business" in the act to apply to *a business located in a county with a population of 90,000 or less*, rather than the current 80,000 or less.** (This would appear to add Lapeer and Midland counties to the eligible counties.) The act sets out criteria that a rural business must meet in order to be eligible for SBT credits.

MCL 207.803 and 808

BACKGROUND INFORMATION:

The bill would allow the Smurfit-Stone paper mill in Ontonagon County to be eligible for a single business tax (SBT) credit from the Michigan Economic Growth Authority. The company is described as a leading producer of containerboard, multi-wall and specialty bags, and clay-coated recycled boxboard. Company officials testified that the mill in Ontonagon had a payroll of about \$12 million in 2005 and paid 31 percent of village property taxes and 8 percent of county property taxes.

FISCAL IMPACT:

Enactment will result in a reduction of Michigan Single Business Tax revenue of an indeterminate amount. The actual amount of any MEGA tax credit is negotiated by the Michigan Economic Development Corporation, and no estimate is available at this time.

POSITIONS:

The Michigan Economic Development Corporation supports the bill. (3-7-06)

The Smurfit-Stone Container Corporation testified in support of the bill. (3-7-06)

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Fiscal Analyst: Richard Child

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