



Senate Fiscal Agency
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House Bill 4733 (Substitute S-2 as reported by the Committee of the Whole)
House Bill 4734 (Substitute S-6 as reported by the Committee of the Whole)
Sponsor: Representative Rick Baxter (H.B. 4733)
Representative Kevin Elsenheimer (H.B. 4734)
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

House Bill 4733 (S-2) would amend the Single Business Tax (SBT) Act to set an annual maximum of \$10 million on the amount of credits that the Michigan Economic Growth Authority (MEGA) chairperson or his or her designee could issue for projects for which total SBT credits would be \$200,000 or less (pursuant to House Bill 4734 (S-6)); and require the MEGA chairperson or his or her designee to issue a preapproval letter for approved projects with credits of \$200,000 or less.

House Bill 4734 (S-6) would amend the SBT Act to do the following:

- Establish procedures and criteria to be used by MEGA in approving a project for which the total credits would be \$200,000 or less (which would apply to projects of \$2 million or less, since the total credits for a project may not exceed 10% of eligible investment).
- Require the MEGA chairperson, or a designee, to approve a credit for a project of \$2 million or less within 45 days of receiving the application and issue a preapproval letter.
- Provide that the total credits issued for projects with \$200,000 or less in credits could not exceed \$10 million in one year.
- Provide a procedure for MEGA to follow when developing or changing the application form for projects with \$200,000 or less in credits.
- Allow MEGA to carry forward unissued credits for projects of less than \$10 million for one year when the total credits for all projects approved in the immediately preceding calendar year were fewer than the maximum permitted by the Act.
- Allow MEGA annually to approve two projects, rather than three projects, with credits between \$10 million and \$30 million.
- Limit MEGA's on-site inspections to only those projects that cost more than \$10 million.
- Allow multiphase projects to be divided into a maximum of 20, rather than three, components.
- Define "eligible property" for the purposes of a MEGA tax credit.

The bills are tie-barred to each other and to Senate Bill 599 (which also would establish procedures and criteria to be used by MEGA in approving a project for which the total credits would be \$200,000 or less).

Proposed MCL 208.35c (H.B. 4733)
MCL 208.38g (H.B. 4734)

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The impact of the bills would depend upon whether the MEDC would issue all three of the credits presently authorized for amounts between \$10 million and \$30 million each year absent the bill. If the MEDC were not to issue all three credits of that magnitude, the bills would reduce single business tax revenue to the State General Fund by \$10 million per year if all credits authorized by the bills were granted. If the credit no longer allowed under the bills otherwise were to be granted for \$10 million, then the bills would have no fiscal impact, assuming all of the credits authorized by the bills were granted. If the credit no longer allowed under the bills were for more than \$10 million, then the bills would represent a revenue increase equal to the difference between the credit that would not be provided and \$10 million, assuming all of the credits authorized by the bill were granted. Because the bill would allow certain amounts authorized for credits to be carried over to the next year, in some fiscal years the \$10 million figure could be greater or less than indicated, depending on the amount carried over from one year to the next.

This estimate is preliminary and will be revised as new information becomes available.

The bills would have no fiscal impact on the Michigan Economic Development Corporation or on the Department of Labor and Economic Growth (which provide staff for MEGA).

Date Completed: 1-25-06

Fiscal Analyst: David Zin
Elizabeth Pratt

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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.