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BILL ANALYSIS

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House Bill 5559 (Substitute S-1 as reported)
Sponsor: Representative Scott Hummel
House Committee: Commerce
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to delete a provision that excludes from the definition of "facility" a site that was a vaccine laboratory owned by the State on April 1, 1995 (i.e., the BioPort Corporation in Lansing). "Facility" means a site or sites within Michigan in which an authorized business or subsidiary business maintains retained jobs or creates qualified new jobs. Under the Act, a facility may be eligible for single business tax (SBT) credits under an agreement with MEGA.

In addition, the Act permits MEGA to enter into an agreement to provide SBT credits to an eligible business that is located in Michigan on the date of application, 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 \$100,000 per retained job or \$10.0 million to be completed by December 31, 2006. The bill refers instead to new capital investment of those amounts to be completed or contracted for by December 31, 2007.

The bill is tie-barred to Senate Bill 579, which would amend the plant rehabilitation and industrial development districts Act (commonly referred to as PA 198) to provide a tax abatement to an industrial facility located in Port Huron.

MCL 207.803 & 207.808

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State General Fund revenue by an unknown amount, by extending eligibility for tax credits under the Michigan single business tax. Because credits under the MEGA Act are approved for specific amounts under specified circumstances, the bill likely would not affect any existing credits that have been approved. Similarly, the bill would have no effect on revenue if no MEGA credits were approved for taxpayers meeting the changed requirements under the bill or if the approved credits under the bill replaced another credit that would have otherwise been approved under the MEGA Act. Credits granted under the Act are expected to reduce single business tax revenue by approximately \$41.7 million FY 2005-06. If the increased credits and extended eligibility for credits allowed under the bill raised the cost of MEGA-approved SBT credits by 5% in a year, the bill would reduce General Fund revenue by an additional \$2.1 million per year.

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

Date Completed: 2-2-06

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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.