



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5640 (Substitute H-1 as passed by the House)
Sponsor: Representative Tom Casperson
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 3-20-06

CONTENT

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to do both of the following:

- Authorize MEGA to enter into a written agreement to provide single business tax (SBT) credits to an eligible business that maintained 175 retained jobs and made new capital investment at a facility in a county with a population of 7,500 to 8,000.
- Expand the definition of "rural business" to include a business in a county with a population of 90,000 or less (rather than 80,000 or less).

The Act authorizes MEGA to enter into a written agreement to provide SBT credits with an eligible business that meets certain criteria. The bill would authorize an agreement with an eligible business that maintained 175 retained jobs and made new capital investment at a facility in a county with a population of at least 7,500 but not greater than 8,000 (Ontonagon County). ("Retained jobs" means the number of full-time jobs at a facility of an authorized business maintained in Michigan on a specific date, as that date and number of jobs are determined by the Authority. The definition of "eligible business" includes a business that proposes to maintain retained jobs in this State in manufacturing, mining, research and development, wholesale and trade, or office operations. "Authorized business" generally refers to a single eligible business with which MEGA has entered into an agreement for a tax credit.)

Currently, a business must be located in a county with a population of 80,000 or less to qualify as a "rural business". The bill would increase the maximum population to 90,000. (According to county population figures from the 2000 Federal decennial census, this would add Lapeer and Midland Counties to the counties in which a business may qualify as a "rural business". Under MCL 8.3v, unless otherwise specifically provided, the population of the State or a political subdivision is to be determined on the basis of the latest Federal decennial census.)

MCL 207.803 & 207.808

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

This bill would make the Smurfit and Stone Container Corporation, located in Ontonagon, Michigan, eligible for a single business tax credit from the Michigan Economic Growth Authority. This bill would not guarantee a tax credit for this business, but it would allow the firm to approach the Michigan Economic Development Corporation (which provides staff for

MEGA) to begin discussions on receiving a tax credit. Based on the Smurfit and Stone Container Corporation's current level of business activity, payroll, single business tax liability, and property taxes, along with the fact that a tax credit would not be guaranteed under this bill, it is estimated that the potential annual reduction in single business tax revenue, for up to a maximum of 20 years, under this bill is likely to be somewhere in the range of zero to \$0.5 million.

Fiscal Analyst: Jay Wortley

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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.