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**BILL ANALYSIS**

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House Bill 6034 (as passed by the House)
Sponsor: Representative Bill Huizenga
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 5-23-06

CONTENT

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to include a "facility", in addition to a "business", in the Act's definition of "qualified high-technology business".

The Act allows MEGA to enter into agreements providing single business tax (SBT) credits to firms that create and maintain jobs in the State. These include a qualified high-technology business that meets certain job creation and retention and wage criteria. "Qualified high-technology business" means a business that is either of the following:

- A business with at least 25% of its total operating expenses used for research and development in the tax year in which it files an application for SBT credits under the Act.
- A business whose primary business activity is high-technology activity.

Under the bill, the term would mean a business or facility that was either 1) a business meeting the research and development criterion, or 2) a business or facility whose primary business activity was high-technology activity.

The Act defines "facility" as a site or sites within Michigan in which an authorized business or subsidiary businesses maintain retained jobs or create qualified new jobs. "Business" means a proprietorship, joint venture, partnership, limited liability partnership, trust, business trust, syndicate, association, joint stock company, corporation, cooperative, limited liability company, or any other organization.

"High-technology activity" means one or more of the following:

- Advanced computing, which is any technology used in the design and development of computer hardware and software, data communication, or information technologies.
- Advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology.
- Biotechnology, which is any technology, other than human cloning or stem cell research with embryonic tissue, that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes.
- Electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices.
- Engineering or laboratory testing related to the development of a product.

- Technology that assists in the assessment or prevention of threats or damage to human health or the environment, including environmental cleanup technology, pollution prevention technology, or development of alternative energy sources.
- Medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated.
- Product research and development.
- Advanced vehicle technology, which is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of those vehicles.
- Tool and die manufacturing.

MCL 207.803

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

While the bill would likely expand the number of businesses that would be eligible for high-technology MEGA tax credits, the number of credits that could be granted each year would not change from the current maximum of 50. Therefore, the bill would potentially change the mix of businesses that are granted MEGA tax credits, but it is not possible to make a reasonable estimate of the bill's fiscal impact at this time because there is no way to know how the proposed changes would affect the dollar value of the tax credits that would be granted to eligible businesses compared with the total dollar value of the tax credits under current law.

Fiscal Analyst: Jay Wortley

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