Legislative Analysis

HOUSE FISCAL AGENCY
Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

ANCHOR COMPANIES & ANCHOR ZONES

House Bill 5858
Sponsor: Rep. Ed Clemente
Committee: New Economy and Quality of Life

Complete to 3-5-08

A SUMMARY OF HOUSE BILL 5858 AS INTRODUCED 3-4-08

The bill would amend the recently enacted Michigan Business Tax Act (MCL 208.1431c) to allow an "anchor company" (a high technology businesses) to claim a credit against the MBT equal to the sum of up to five percent of the taxable value of the taxable property of a supplier or customer who opens a new location in Michigan located within a ten-mile radius of the anchor company, where the new location is the result of supplier's or customer's relationship with the anchor company.

The qualified supplier or customer could be a business that opens a new location, a new business that locates in Michigan, or an existing business that expands. Credit would be based on the value of the property of suppliers and customers that is subject to the General Property Tax Act. The credit could be claimed for up to five years.

If the credit exceeded a firm's tax liability, the firm could elect to have the excess amount refunded or to have it carried forward to offset future tax liability for five years or until it is used up, whichever occurred first.

(If the property of a supplier or customer was subject to a specific tax instead of general property taxes due to a PA 198 abatement, the taxpayer could only include 2.5 percent of the taxable value of the property of a supplier or customer in calculating the credit.)

To claim the credit, a firm would first have to be designated as an anchor company by the Michigan Economic Growth Authority (MEGA), and then would need to obtain a certificate from MEGA for each supplier or customer. MEGA could designate up to five taxpayers as anchor companies in each calendar year and could not approve more than five new credits each calendar year.

A firm would have five years from the date of its designation as an anchor company to seek certification as a qualified taxpayer for each supplier or customer for which a credit is sought. A firm could not claim a credit until MEGA had issued a certificate to the firm. The firm would attach the certificate to its annual MBT return. A certificate would state, among other things, the amount of the credit for the designated year.

<u>Definitions</u>

Specifically under the bill, an "anchor company" would be a "qualified high-technology business that is an integral part of a qualified high-technology activity and that has the ability or potential ability to influence business decisions and site location of qualified suppliers and customers." (The terms "qualified high-technology business" and "qualified high technology activity" are defined in the Michigan Economic Growth Authority Act and are explained later.)

To be considered a qualified customer or supplier, a company would need (1) to have financial transactions with the anchor company; (2) to sell a critical or unique component or technology necessary for the anchor company to market a finished product or buy a critical or unique component from the anchor company; (3) to have created more than 10 qualified jobs, meaning new full-time jobs; and (4) to have made an investment of at least $1 million as certified by MEGA.

The term "qualified high-technology business" in the MEGA Act means a business or facility that is either (1) a business where at least 25 percent of the total operating expenses of the business are used for research and development or (2) a business or facility whose primary business activity is high-technology activity.

The term "high-technology activity" means one or more of the following: (1) advanced computing, which is any technology used in the design and development of computer hardware and software, data communications, and information technologies; (2) advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology; (3) biotechnology (but not human cloning or stem cell research with embryonic tissue); (4) 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; (5) engineering or laboratory testing related to the development of a product; (6) 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; (7) medical device technology; (8) product research and development; (9) advanced vehicles technology, which is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles; (10) tool and die manufacturing; and (11) competitive edge technology, which refers to life sciences technology; advanced automotive, manufacturing, and materials technology; homeland security and defense technology; and alternative energy technology.

FISCAL IMPACT:

A fiscal analysis is in process.

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.