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BILL ANALYSIS

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Senate Bill 207 (Substitute S-3)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

Date Completed: 7-23-07

## CONTENT

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to allow confirmation of a Chapter 11 plan of reorganization for an eligible business receiving a single business tax (SBT) credit under the Act within six years of the date of the written agreement between MEGA and the business, rather than within three years.

The Act allows MEGA to enter into an agreement with an eligible business for a single business tax (SBT) credit. After receiving an application for an SBT credit, MEGA may enter into a written agreement with an eligible business that meets one or more of the prescribed criteria. The agreement must include a repayment provision of all or a portion of the SBT credits for a violation of the written agreement. One of the conditions for receiving the tax credits is that the eligible business agrees to maintain 150 retained jobs at a facility, maintain 1,000 or more full-time jobs in Michigan, and make new capital investment in Michigan. Under the Act, if an eligible business qualified for an SBT credit under that provision, and filed a Chapter 11 plan of reorganization with the bankruptcy court, the plan must be confirmed by the bankruptcy court within three years of the date of the agreement or the agreement is rescinded. The bill would require confirmation within six years.

MCL 207.803 & 207.808 Legislative Analyst: Patrick Affholter

## FISCAL IMPACT

The bill would reduce State revenue by an unknown and likely minimal amount, depending on the credits authorized (and the characteristics of the firms receiving them) as a result of the changes. The bill would change the time frame for the bankruptcy court to confirm a reorganization plan for firms using such a plan to demonstrate financial soundness as required by current law. If the bankruptcy plan is not confirmed within the specified time, the agreement is rescinded and the firm will not receive any tax credits. Consequently, the bill likely would affect a limited number of firms because the change would apply only to those firms in bankruptcy that used a reorganization plan to establish their financial soundness and needed the additional time before the bankruptcy court approved the plan. To the extent that the changes would affect a firm, it would prevent an agreement from being rescinded and thus allow the firm to claim a tax credit to which it would otherwise not be entitled, thus reducing revenue relative to current law.

Credits granted under the MEGA Act are expected to reduce single business tax revenue by approximately $62.1 million FY 2006-07.

Fiscal Analyst: David Zin

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