



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 944 (Substitute S-1 as reported)
Sponsor: Senator John Pappageorge
Committee: Finance

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to provide that for tax years beginning on or after January 1, 2008, and ending before January 1, 2016, a taxpayer that was engaged in research and development of a qualified technology could claim a credit against the MBT equal to 3.9% of the compensation for services performed in a qualified facility, paid to the employees at the qualified facility in the tax year, if the taxpayer had entered into an agreement before April 1, 2007, with the Michigan Economic Growth Authority.

The maximum credit that any one taxpayer could claim would be \$2.0 million in a single tax year. If the credit exceeded the MBT liability of the taxpayer for the tax year, the portion that exceeded the liability would not be refundable.

A taxpayer that qualified to claim the credit under Section 34 of the Single Business Tax (SBT) Act (which provides for a similar credit) could claim the credit under the bill for the total number of years designated in the agreement, reduced by the number of years the taxpayer claimed the SBT credit, or until January 1, 2016, whichever occurred first. A taxpayer that claimed a credit under the bill would not be prohibited from claiming a research and development credit under Section 405 of the MBT, but could not claim both credits based on the same research and development.

"Qualified technology" would mean a hybrid system whose primary purpose is the propulsion of a motor vehicle. "Qualified facility" would mean a leased facility used for the research and development of a qualified technology in a "qualified city", i.e., a city with a population of at least 80,000 but not more than 82,000, located in a county with a population of at least 1.0 million but not more than 1.3 million.

MCL 208.1451

Legislative Analyst: Craig Laurie

FISCAL IMPACT

This bill is designed to provide a tax credit to a new joint venture by General Motors, DaimlerChrysler, and BMW called the Hybrid Development Center, which is located in Troy. The tax credit would reduce Michigan business tax revenue an estimated \$2.5 million. All of this loss in revenue would affect the General Fund/General Purpose budget. The bill would have no direct impact on local government.

Date Completed: 12-5-07

Fiscal Analyst: Jay Wortley