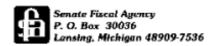
PUBLIC ACT 214 of 2007





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Senate Bill 944 (as enacted)

Sponsor: Senator John Pappageorge

Senate Committee: Finance House Committee: Tax Policy

Date Completed: 7-14-09

CONTENT

The bill amended 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 engaged in research development of a qualified technology may 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 entered into an agreement before April 1, 2007, with the Michigan Economic Growth Authority (MEGA).

The agreement must provide all of the following:

- -- The type and number of jobs at the qualified facility to which the agreement applies.
- -- The type of work to be performed by the employees performing the jobs.
- -- Any other terms and conditions that MEGA considers to be in the public interest.

The maximum credit that any one taxpayer may claim is \$2.0 million in a single tax year. If the credit exceeds the taxpayer's MBT liability for the tax year, the portion that exceeds the liability is refundable.

The bill's provision authorizing this credit is subject to Section 450a, which allows a taxpayer that qualified to claim the credit under Section 34 of the Single Business Tax (SBT) Act (which provided for a similar credit) to 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 occurs first. A taxpayer that claims a credit under the bill is not prohibited from claiming a research and

development credit under Section 405 of the

MBT, but may not claim both credits based

on the same research and development.

The bill defines "qualified technology" as a hybrid system whose primary purpose is the propulsion of a motor vehicle. "Motor vehicle" means a motor vehicle as defined in the Michigan Vehicle Code that is designed as a passenger vehicle, or sport utility vehicle, but does not include a motor home, bus, truck other than a pickup truck or van, or a vehicle designed to travel on fewer than four wheels.

"Qualified facility" means 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.

"Research and development" means "qualified research" as that term is defined in Section 41(d) of the Internal Revenue Code. (Under Section 41(d), "qualified research" means research that meets both of the following:

-- It is undertaken for the purpose of discovering information that is technological in nature, and whose

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- application is intended to be useful in the development of a new or improved business component of the taxpayer.
- -- Substantially all of the activities constitute elements of a process of experimentation for a purpose related to a new or improved function, performance, reliability or quality, and the research is not for a purpose related to style, taste, cosmetic, or seasonal design factors.)

The bill took effect January 1, 2008.

MCL 208.1450

Legislative Analyst: Suzanne Lowe

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 will reduce Michigan business tax revenue an estimated \$1.9 million each tax year from 2008 to 2015. All of this loss in revenue will affect the General Fund/General Purpose budget. The bill will have no direct impact on local government.

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.