

ADVANCED BATTERY TECHNOLOGY CREDITS

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Senate Bill 466

Sponsor: Sen. Wayne Kuipers

House Committee: Tax Policy

Senate Committee: Commerce and Tourism

Complete to 5-5-09

A SUMMARY OF SENATE BILL 466 AS PASSED BY THE SENATE

The bill would amend a section of the Michigan Business Tax Act (MCL 208.1434) that provides tax credits related to the development and application of advanced battery technology. It would affect two separate kinds of tax credit in order to:

- Allow for one additional credit to be awarded for the construction of integrated battery cell manufacturing facilities. This brings the number of credits available from three to four credits and increases the maximum amount of credits available over four years from \$300 million to \$400 million.
- Increase from \$90 million to \$135 million the maximum dollar amount of credits for firms engaged in vehicle engineering to support battery integration, prototyping, and launch expenses.

The current limits on credits were recently added by Public Act 6 of 2009 (Senate Bill 319). Prior to that, only one credit was available for a facility with a maximum of \$100 million. And the limit on vehicle engineering credits was \$70 million.

FISCAL IMPACT:

The bill would increase the maximum amount of credits available under Section 434 of the Michigan Business Tax Act by a total of \$145 million. To the extent that the Michigan Economic Growth Authority awards additional credits, MBT and General Fund/General Purpose revenue would be reduced. This bill would have no direct effect on local units of government.

Advanced Battery Manufacturing

The credit is equal to 50 percent of the capital investment expenses for the construction of an integrative cell manufacturing facility. The maximum allowable credit is \$25 million per year for no more than four years (currently \$300 million total). No credit is to be claimed until the 2012 tax year (although the credit could be based on expenses incurred in years prior to that). By allowing one additional credit, SB 466 would reduce MBT revenue by a maximum of \$25 million per year beginning in 2012 for up to four years (up to an additional \$100 million in total).

Vehicle Engineering

The MBT Act also allows firms to claim a refundable credit of up to 75 percent of the costs of vehicle engineering in the state to support battery integration, prototyping, and launch expenses incurred for tax years 2009-2013. The credit cannot exceed \$15 million per year as agreed to and certified by the MEDC. The maximum amount of credits currently available for all firms for all years under the provision is \$90 million. SB 466 would increase the maximum for all years to \$135 million.

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