Legislative Analysis

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

CAP ON MEGA CREDITS

Senate Bill 774
Sponsor: Sen. Nancy Cassis
House Committee: New Economy and Quality of Life
Senate Committee: Finance

Complete to 9-22-09

A SUMMARY OF SENATE BILL 774 AS PASSED BY THE SENATE 9-10-09

The bill would amend Section 431 of the Michigan Business Tax Act, which allows the Michigan Economic Growth Authority (MEGA) to award multi-year refundable tax credits to firms that meet statutory criteria. Under Senate Bill 774, there would be a new limit imposed on the number of credits that could be claimed each year.

For the 2010 calendar year and each subsequent year, the total amount of credits allowed to be claimed in the first year of all agreements could not exceed the sum of the total amount of credits claimed during the immediately preceding calendar year plus $95 million. (This limitation applies to credits available under Section 431. Other sections of the MBT Act also offer credits, some of which also require MEGA involvement.)

Senate Bill 774 is tie-barred to the following four bills, meaning it cannot take effect unless they are also enacted:

Senate Bill 70, which amends the Revenue Act to require the State Treasurer to divulge certain specified information about the Michigan Business Tax Act to the chairs of the standing committees in the Senate and House of Representatives with jurisdiction over matters relating to taxation and finance, and to the directors of the Senate and House Fiscal Agencies. (*This bill has passed the Senate and is in the House Tax Policy Committee.*)

Senate Bill 71, which expands the amount of information on job creation and capital investment that must be included in MEGA's annual report to the Legislature. (*This bill is on the House floor*.)

Senate Bill 773, which increases the total number of MEGA credits that can be awarded each year based on previously awarded credits never used; requires additional information to be reported by MEGA to the Legislature each year and requires the auditor general to audit and comment on that report; and requires the economic cost-benefit analysis performed by MEGA to take into account not only the overall benefit to the state but also the impact on competing businesses. (*This bill has passed the Senate and is in the House New Economy and Quality of Life Committee*).

House Bill 4992, which increases from 400 to 500 the number of yearly credits that can be entered into for businesses that are not qualified high-technology businesses, distressed businesses, rural businesses, or historic resource businesses. (Note: If a business in this category is awarded a credit for 20 years, that would be considered 20 yearly credits rather than one credit.) The bill also increases from 50 to 75 the number of new written agreements each year for qualified high-technology businesses or rural businesses. Only 35 of those (rather than 25 currently) could be for rural businesses. (*This bill has passed the House and is in the Senate Finance Committee*.)

FISCAL IMPACT:

The bill limits the growth in credits awarded under Section 431 of the Michigan Business Tax Act to approximately $95 million per year. MBT revenues accrue primarily to the General Fund.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ 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.