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BILL



ANALYSIS

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Senate Bills 319 and 466 (as enacted)
House Bill 4515 (as enacted)
Sponsor: Senator John Pappageorge (S.B. 319)
Senator Wayne Kuipers (S.B. 466)
Representative Dian Slaven (H.B. 4515)
Senate Committee: Commerce and Tourism
House Committee: Tax Policy

PUBLIC ACTS 6 & 26 of 2009
PUBLIC ACT 5 of 2009

Date Completed: 1-19-11

CONTENT

The bills amended the Michigan Business Tax (MBT) Act to do the following:

- **Increase the maximum number of tax credit agreements the Michigan Economic Growth Authority (MEGA) could enter into for the construction of an integrative cell manufacturing facility.**
- **Extend the deadline for MEGA to authorize such a tax credit agreement.**
- **Increase the total amount of MBT credits allowed for expenses for certain vehicle engineering activities.**
- **Delete a requirement that a review board appointed to advise MEGA about tax credits for the construction of an integrative cell manufacturing facility include at least two representatives from automotive manufacturers.**

Senate Bill 319 and House Bill 4515, which were tie-barred, took effect on April 6, 2009. Senate Bill 466 took effect on May 12, 2009.

Credits for Cell Manufacturing Facility

Under the Act, a taxpayer that has entered into an agreement with MEGA may claim an MBT credit equal to 50% of the capital investment expenses for any tax year for the construction of an integrative cell manufacturing facility, if the taxpayer will

create at least 300 new jobs in Michigan. No credit may be claimed in a tax year beginning before 2012, but credits may be based on expenses incurred in Michigan in earlier years. Originally, MEGA was authorized to enter into just one such agreement, with a maximum allowable credit of \$25.0 million per year for up to four years, and it could not enter into an agreement after August 1, 2009.

Senate Bill 319 and House Bill 4515 authorized MEGA to enter into up to three of these tax credit agreements until October 1, 2009. Senate Bill 466 increased the maximum number to four, subject to the same deadline.

Credits for Vehicle Engineering

The Act allows a taxpayer to claim an MBT credit of up to 75% of the qualified expenses for vehicle engineering in Michigan to support battery integration, prototyping, and launch expenses incurred for tax years that begin on or after January 1, 2009, and end before January 1, 2014. A credit may be taken for tax years beginning on or after January 1, 2012, and may not exceed \$15.0 million per year. Originally, MEGA could not authorize more than \$70.0 million in total credits to all taxpayers. Senate Bill 319 and House Bill 4515 increased the total allowable credit amount to \$90.0 million. Senate Bill 466 increased the total allowable amount to \$135.0 million.

Review Board

The Act requires MEGA to appoint a review board to advise it about decisions concerning tax credits for the construction of an integrative cell manufacturing facility. The review board originally was required to include at least two representatives from automotive manufacturers and two independent scientists. Additional members may be sought on an ad hoc basis to review business plans and addressable markets.

Senate Bill 319 deleted the requirement that the review board include at least two representatives from automotive manufacturers.

MCL 208.1434

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills will reduce General Fund revenue by expanding two battery-related credits, reducing MBT revenue by a maximum of \$365 million, which will be spread over several years beginning in 2012. The bills will not have any direct impact on local governments.

Vehicle Engineering Credit. Senate Bill 319 and House Bill 4515 expand the maximum dollar amount of the credit for firms engaged in vehicle engineering to support battery technology from \$70.0 million to \$90.0 million. Because this credit is limited to \$15.0 million per year beginning in 2012, the increase will not have a fiscal impact until 2016. Senate Bill 466 expands the maximum dollar amount of the credit for firms engaged in vehicle engineering to support battery technology by an additional \$45.0 million, from \$90.0 million to \$135.0 million. Again, because this credit is limited to \$15.0 million per year beginning in 2012, this additional increase will not have a fiscal impact until 2018.

Battery Manufacturing Facility Credit. Senate Bill 319 and House Bill 4515 increase the number of credits for construction of an integrative cell (battery) manufacturing facility from one to three, thus increasing the maximum credit amount by \$200.0 million, from \$100.0 million to \$300.0 million. The Act does not allow more than \$25.0 million to be claimed per year per

credit and the 2012 tax year will be the first year these two new credits may be claimed, so these bills will reduce MBT revenue by a maximum of \$50.0 million per year beginning with the 2012 tax year. Senate Bill 466 increases the maximum number of credits by one, from three to four, adding another \$100.0 million to the maximum credit that may be claimed and reducing MBT revenue by a maximum of \$25.0 million per year beginning with the 2012 tax year.

Fiscal Analyst: David Zin

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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.