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Senate Bill 493 (Substitute S-2 as reported)  
House Bill 4674 (Substitute S-1 as reported)  
Sponsor: Senator Jason E. Allen (S.B. 493)  
Representative Jeff Mayes (H.B. 4674)  
Senate Committee: Commerce and Tourism  
House Committee: New Economy and Quality of Life (H.B. 4674)

## **CONTENT**

The bills would amend provisions of the Michigan Business Tax (MBT) Act governing the credits for an "anchor company" (a qualified high-technology business that is an integral part of a high-technology activity and that has the ability or potential ability to influence business decisions and site location of qualified suppliers and customers).

Senate Bill 493 (S-2) would do the following:

- Allow an anchor company to claim an MBT credit for a percentage of a qualified supplier's or qualified customer's property tax or industrial facility tax if the supplier's or customer's taxable property were located in an existing industrial site in the same county as the anchor company or an adjacent county.
- Allow an MBT credit for a qualified supplier's or qualified customer's property tax or industrial facility tax to be taken after all other allowable nonrefundable MBT credits.
- Allow the Michigan Economic Growth Authority (MEGA) to exclude an anchor company's qualified sales to a qualified customer from the calculation of the sales factor under the Act.
- Revise the definition of "qualified supplier or customer" and define "qualified sales to a qualified customer"

The Act allows an anchor company to claim an MBT credit of up to 5% of the taxable value of each qualified supplier's or customer's taxable property, or up to 2.5% of the taxable value of property subject to the industrial facility tax, that is located within the qualified taxpayer's 10-mile radius, for a period of up to five years, as determined by MEGA. Under the bill, the MBT credit would be based on the taxable value of each qualified supplier's or qualified customer's taxable property that was located within the 10-mile radius of the qualified taxpayer, or was in the same county or a county adjacent to the qualified taxpayer and within an existing industrial site that was approved by MEGA. Also, the credit could be based upon *each* of the qualified supplier's and qualified customer's taxable value.

House Bill 4674 (S-1) would do the following:

- Allow an MBT credit for a qualified supplier's or customer's payroll claimed by an anchor company to include each qualified supplier's and qualified customer's payroll.
- Allow an MBT credit for a qualified supplier's or qualified customer's payroll to be taken after all other allowable nonrefundable MBT credits.
- Revise a provision pertaining to the maximum number of anchor companies that may be designated annually.

- Allow MEGA to exclude an anchor company's qualified sales to a qualified customer from the calculation of the sales factor under the Act.
- Revise the definitions of "qualified supplier or customer" and "qualified sales to a qualified customer".

The Act allows an anchor company to claim an MBT credit in amount up to 100% of the qualified supplier's or customer's payroll attributable to employees who perform qualified new jobs as determined by MEGA, multiplied by the tax rate for the tax year, for up to five years, if the taxpayer receives a certificate from MEGA. Under the bill, the credit a qualified taxpayer may claim would be equal to the sum of up to 100% of *each* qualified supplier's and qualified customer's payroll attributable to those employees, and the credit could include each of the qualified supplier's and qualified customer's payroll.

The Act gives a taxpayer five years from the date of designation as an anchor company to seek certification from MEGA as a qualified taxpayer for each qualified supplier or customer for which a credit is sought. Under the bill, an anchor company would have five years from the date of designation to seek certification for each qualified supplier *and* qualified customer that was included in the credit that the anchor company was seeking.

The Act prohibits MEGA from designating more than five taxpayers as an anchor company in each calendar year or approving more than five new credits in each calendar year. If a qualified taxpayer is awarded a credit, any subsequent credits awarded to that taxpayer may not be included in determining the yearly limit of five new credits. The bill would delete that provision.

Both bills specify that they would be retroactive and effective for tax years that begin after December 31, 2008. The bills are tie-barred to each other and to Senate Bills 358 and 428, which would amend the Local Development Financing Act. Senate Bill 358 would allow the MEDC to designate two additional certified technology parks (or SmartZones) between June 1, 2009, and December 31, 2009. Senate Bill 428 would allow the designation of all or part of an authority district as a certified alternative energy park.

MCL 208.1431c (S.B. 493)  
208.1431a (H.B. 4674)

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

Senate Bill 493 (S-2): The proposed changes to the MBT anchor company taxable property refundable credit would for the most part clarify and make technical changes to various provisions and components of the credit, and these changes would have no fiscal impact. The bill also would expand the area in which the taxable property of a qualified supplier or customer may be located to be eligible for calculating the anchor company credit. There is no way to know what impact this change would have on the cost of the credit. Any additional loss in MBT revenue due to this proposed change would reduce General Fund revenue.

House Bill 4674 (S-1): The proposed changes to the MBT anchor company payroll refundable credit would not change the basic credit, but instead would clarify and make technical changes to various provisions and components of the credit. Therefore, this bill would have no fiscal impact.

Date Completed: 6-10-09

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.