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Senate Bill 493 (as introduced 4-29-09)

Sponsor: Senator Jason E. Allen Committee: Commerce and Tourism

Date Completed: 6-2-09

## **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to do all of 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 park in 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 bill specifies that it would be effective for tax years that begin after December 31, 2008.

"Anchor company" means 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. The bill would refer to "qualified suppliers and qualified customers".

## **Anchor Company Credit**

Public Act 88 of 2008 amended the MBT Act to allow a qualified taxpayer (an anchor company that has influenced a new qualified supplier or customer to open, locate, or expand in Michigan) to claim an MBT credit equal to the sum of up to 5% of the taxable value of each qualified supplier's or customer's taxable property that is located within the qualified taxpayer's 10-mile radius and that is subject to collection of general ad valorem taxes under the General Property Tax Act for a period of up to five years, as determined by MEGA. If a qualified supplier's or customer's taxable property is subject to the industrial facility tax levied under the plant rehabilitation and industrial development Act (commonly referred to as P.A. 198), the qualified taxpayer may only include up to 2.5% of the taxable value of that property in the calculation of the credit.

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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 in a county adjacent to the qualified taxpayer and within an existing industrial park that was approved by MEGA. Also, the credit could be based upon *each* of the qualified supplier's and qualified customer's taxable value.

The bill specifies that a credit described above could be taken after all other allowable nonrefundable credits under the Act.

## Qualified Sales to Qualified Customer

Under the bill, MEGA could provide that qualified sales to a qualified customer could not be considered in calculating the sales factor under the MBT Act for the tax year for which a credit was provided. "Qualified sales to a qualified customer" would mean sales to a qualified customer that were in excess of the Michigan sales to the customer before the year of expansion or location within Michigan, as determined by MEGA, and that otherwise would be included in the calculation of the sales factor under the Act.

"Qualified supplier or customer" means a business that opens a new location in Michigan, a business that locates in Michigan, or an existing business located in Michigan that expands its business with the last year as a result of an anchor company and satisfies certain criteria, as certified by MEGA. Under the bill, that would be the definition of "qualified supplier" and "qualified customer" except that the business's location or expansion in Michigan would not have to occur "within the last year", and the criteria would have to be satisfied before the issuance of a certificate and at the time specified in an agreement with the qualified taxpayer.

One of the criteria to be certified by MEGA is that the qualified supplier or qualified customer sells a critical or unique component or technology necessary for the anchor company to market a finished product, or buys a critical or unique component from the anchor company. Under the bill, the sale of a critical or unique component or technology would have to be as the result of a commercial relationship with the anchor company.

MCL 208.1431c Legislative Analyst: Patrick Affholter

## FISCAL IMPACT

The bill's 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.

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.