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Senate Bill 774 (as enacted)
Sponsor: Senator Nancy Cassis
Senate Committee: Finance
House Committee: New Economy and Quality of Life

PUBLIC ACT 126 of 2009

Date Completed: 4-11-11

CONTENT

The bill amended the Michigan Business Tax (MBT) Act to establish a limit on the total amount of MBT credits certified by the Michigan Economic Growth Authority (MEGA) that may be claimed annually.

The Michigan Economic Growth Authority Act allows MEGA to enter into an agreement with an eligible business for a credit against the tax imposed by the MBT Act, if the Authority determines that certain requirements are met. "Eligible business" means a distressed business, a business that proposes to maintain retained jobs or create qualified new jobs in Michigan in manufacturing, mining, research and development, wholesale and trade, film and digital media production, or office operations, or a business that is a qualified high-technology business, a tourism attraction facility, or a qualified lodging facility.

Section 431 of the MBT Act allows a taxpayer that is an authorized business (an eligible business with which MEGA has entered into an MBT-credit agreement) to claim an MBT credit equal to the amount certified each year by MEGA, for up to 20 years as determined by MEGA, for all or a portion of the business's payroll and, in some cases, health care benefits.

Under the bill, for 2010 and each subsequent calendar year, the total amount of all credits allowed to be claimed in the first year of all new written agreements approved in that calendar year under Section 431 may not exceed \$95.0 million.

The bill took effect on October 27, 2009, and was tie-barred to Senate Bills 70 and 71

(Public Acts 124 and 125 of 2009) and House Bill 4922 (Public Act 123 of 2009). (Senate Bill 70 amended the revenue Act to require the Department of Treasury to prepare an annual report related to the MBT. Senate Bill 71 amended the MEGA Act to require MEGA's annual report to include information about jobs required, jobs created or retained, capital investment required or anticipated, and the total capital investment, under tax credit agreements. House Bill 4922 amended the MEGA Act to set a new limit on the number of tax credit agreements MEGA could execute in 2009, and revise the annual limit for subsequent years.)

MCL 208.1431

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill limits the growth in credits authorized under the statute. The growth in awarded credits (which results in a reduction in revenue) is limited to the amount of credits claimed in the immediately preceding year plus \$95.0 million. The limit applies only to the value of credits in the first year the agreements are approved and apparently does not apply to later years. As a result, revenue is expected to decline, and may decline by more than \$95.0 million in an individual fiscal 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.