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BILL



ANALYSIS

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Senate Bill 1343 (as reported without amendment)
Sponsor: Senator Tony Stamas
Committee: Commerce and Tourism

(as enrolled)

Date Completed: 6-2-10

RATIONALE

Public Act 110 of 2009 amended the Michigan Business Tax (MBT) Act to allow a taxpayer to claim a credit of up to \$25.0 million each year for up to four years, for a portion of capital investment expenses in a facility that will produce large-scale batteries and manufacture certain energy storage systems. In October 2009, a company called Xtreme Power entered into an agreement with the Michigan Economic Growth Authority (MEGA) to claim that credit for the years 2011 through 2014. The company is one of two alternative energy companies involved in a joint venture to buy and redevelop the closed Ford Motor Company plant in Wixom. Xtreme Power aims to produce large-scale batteries and manufacture high-volume energy storage systems to store generated energy for later distribution at times of high demand. Under Public Act 110, however, the MBT credit is contingent upon the taxpayer's receiving Federal loan guarantees from the U.S. Department of Energy. Evidently, approval of Federal loan guarantees is taking longer than anticipated, but Xtreme Power has raised more than half of the funds needed for the project from other sources. In order for the project to proceed, it has been suggested that the MBT credit should be made contingent on the taxpayer's receiving either the Federal loan guarantees or more conventional financing.

CONTENT

The bill would amend the Michigan Business Tax Act to revise the financing requirements for a taxpayer to receive a tax credit for the construction of a

facility that will produce large-scale batteries and manufacture integrated power management, smart control, and storage systems.

The Act allows a taxpayer that has entered into an agreement with MEGA to claim a credit equal to 25% of the capital investment expenses for any tax year for the construction of a facility that will produce large-scale batteries and manufacture integrated power management, smart control, and storage systems from 500 kilowatts to 100 megawatts. The taxpayer may claim the credit if it will create 500 new jobs in Michigan and has received Federal loan guarantees for a project that employs innovative energy efficiency, renewable energy, and advanced transmission and distribution technologies from the U.S. Department of Energy under the Federal Energy Policy Act (42 USC 16513).

Under the bill, the taxpayer would have to have received conventional financing, recovery zone facility bonds, or the Federal loan guarantees from the U.S. Department of Energy.

MCL 208.1434

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Last fall, the Legislature quickly approved and the Governor signed into law authorization for MEGA to enter into a tax credit agreement with Xtreme Power as part of a highly anticipated project to redevelop the shuttered Ford Motor Company plant in Wixom. The project, which promises to bring significant job creation and capital development to that facility, requires the benefit of the tax credit to proceed, but the statutory authorization for the credit is contingent upon Xtreme Power's receipt of U.S. Department of Energy loan guarantees. According to an article in the *Detroit Free Press*, this has proven to be the biggest obstacle for the developers ("Buyers of Ford Wixom plant waiting for loan guarantees", 5-12-10). While Xtreme Power reportedly has raised more than half of the money it needs for the project, and continues to raise funds, it cannot be awarded the MBT credit without the Federal loan guarantees. By allowing the credit to be awarded if the taxpayer has conventional financing, recovery zone facility bonds, *or* Federal loan guarantees, the bill would allow Xtreme Power to pursue its planned redevelopment of the Ford Wixom property in a timely manner.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would likely have no impact on State revenue. The bill would expand the number of taxpayers potentially able to enter into an agreement (and claim the associated tax credit) with the Michigan Economic Growth Authority. However, existing statute allows only a single taxpayer to receive the credit. As a result, there would be no increase in credits under the bill.

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.