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House Bill 4523 (Substitute H-1 as passed by the House)

Sponsor: Representative Ed Clemente

House Committee: New Economy and Quality of Life

Senate Committee: Commerce and Tourism

Date Completed: 6-2-09

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to revise, and delay the sunset for granting, an MBT credit for the construction and operation of a new facility for the development and manufacturing of photovoltaic energy (i.e., solar energy), photovoltaic systems, or other photovoltaic technology.

Public Act 270 of 2008 amended the MBT Act to provide that, for tax years beginning on or after January 1, 2009, a qualified taxpayer that has entered into an agreement with the Michigan Economic Growth Authority (MEGA) that the taxpayer will construct and operate in Michigan a new facility for the development and manufacturing of photovoltaic energy, photovoltaic systems, or other photovoltaic technology, may claim an MBT credit equal to 50% of the capital investments made in that new facility during the tax year. Under the bill, the credit could equal 25% of the capital investments made during the tax year and could not exceed \$25.0 million.

Under the Act, MEGA could not enter into an agreement after November 1, 2008, and the total amount of MBT credits allowed for this purpose for all tax years may not exceed \$25.0 million. Under the bill, MEGA could not enter into an agreement after December 31, 2011, and the total amount of credits for all tax years could not be more than \$100.0 million.

The Act requires a qualified taxpayer to take the credit in equal installments over two years beginning with the tax year in which the certification for the credit was issued. Under the bill, however, if the amount of the credit for a qualified taxpayer were more than \$20.0 million, the taxpayer could not claim more than \$10.0 in the first tax year.

Under the Act, a qualified taxpayer must enter into an agreement to create at least 700 qualified new jobs and to make certain levels of capital investment. Under the bill, a qualified taxpayer would have to agree to create at least 500 new jobs.

("Photovoltaic systems" means solar energy devices composed of one or more photovoltaic cells or photovoltaic modules, and inverter or other power conditioning unit or photovoltaic technology designed to deliver power of a selected current and voltage, wires, and other electrical connectors in order to generate electricity, heat or cool a residential structure, provide hot water for use in a residential structure of provide solar process heat. Batteries for power storage also may be included in photovoltaic systems. "Photovoltaic cells" means an integrated device consisting of layers of semiconductor materials and electric constructs

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capable of converting incident light directly into electricity. "Photovoltaic modules" means an assembly of interconnected photovoltaic cells.

"Photovoltaic technology" means solar power technology that uses photovoltaic cells and modules to convert light from the sun directly into electricity. It includes equipment, component parts, materials, electronic devices, testing equipment, and other related systems that are specifically designed or fabricated and used primarily for one or more of the following:

- -- The storage, generation, reformation, or distribution of clean fuels integrated within a photovoltaic system.
- -- The process of using photovoltaic energy to generate electricity for use by consumers.)

MCL 208.1430 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Under current law, the total amount of these credits is capped at \$25.0 million; however, no credits have been issued and the deadline for awarding these credits was November 1, 2008. This bill would extend the deadline for awarding these credits to December 31, 2011, and would increase the cap from \$25.0 million to \$100.0 million. There is no way to know at this time whether some or all of the \$100.0 million in tax credits would actually be awarded and claimed or during which tax years they would be claimed. The loss of Michigan Business Tax revenue as a result of these tax credits would reduce the General Fund. Local units of government would not be directly affected by this bill.

Fiscal Analyst: Jay Wortley

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.