



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5469 (Substitute H-2 as passed by the House)
Sponsor: Representative Ed Clemente
House Committee: New Economy and Quality of Life
Senate Committee: Commerce and Tourism

Date Completed: 12-9-09

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to do all of the following:

- Allow the Michigan Economic Growth Authority (MEGA) to enter into a maximum of five, rather than four, tax credit agreements for the construction of an integrative cell (battery) manufacturing facility.**
- Extend the deadline for MEGA to enter into those agreements.**
- Require agreements for various battery-related tax credits under the Act to include a repayment provision.**

The Act authorizes MEGA to enter into agreements for various battery-related tax credits, including agreements with taxpayers that will manufacture plug-in traction battery packs or plug-in electric motor vehicles, increase engineering activities for advanced automotive battery technologies, construct an integrative cell manufacturing facility, and construct a facility that will produce large-scale batteries and manufacture integrated power management, smart control, and storage systems from 500 kilowatts to 100 megawatts.

Agreements & Deadline

Under the Act, a taxpayer that has entered into an agreement with MEGA may claim an MBT credit equal to 50% of the capital investment expenses for any tax year for the construction of an integrative cell manufacturing facility that includes anode and cathode manufacturing and cell assembly, if the taxpayer will create at least 300 new jobs in Michigan. The Authority may enter into not more than four such agreements, each with a maximum allowable credit of \$25.0 million per year for up to four years. No credit may be claimed in a tax year beginning before 2012, but credits may be based on expenses incurred in Michigan in earlier years. The Authority may not enter into an agreement after October 1, 2009.

Under the bill, MEGA could enter into up to five of these agreements, and would have until March 31, 2010, to enter into an agreement.

Repayment Provision

Under the bill, an agreement entered into for any of the battery-related tax credits available under the Act would have to include a repayment provision specifying that, if the taxpayer

subsequently failed to meet certain requirements of the agreement, as determined by MEGA, the taxpayer could have its credit reduced or terminated or have a percentage of the amount of a credit previously claimed added back to the taxpayer's tax liability in the year that the taxpayer failed to comply with the agreement.

MCL 208.1434

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce MBT revenue by a maximum of \$25.0 million per year beginning with the 2012 tax year. The maximum revenue loss from the bill would total \$100.0 million.

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.