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

Senate Bill 855 (as reported by the Committee of the Whole)
Sponsor: Senator Mike Kowall
Committee: Economic Development

CONTENT

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

-- Authorize the Michigan Economic Growth Authority, by June 30, 2012, to enter into an agreement providing a tax credit for the manufacture of certain battery and electronic products.
-- Limit the total credit to $50.0 million over four years.
-- Designate the tax credit as a certificated credit (which means a taxpayer could voluntarily elect to file a return and pay the MBT in order to claim the credit.

The agreement would have to provide that if the taxpayer failed to create 750 new jobs, the credit would be reduced by $65,000 for each job less than 750 that was not created. If the taxpayer failed to create at least 500 new jobs, the agreement would have to include a provision regarding an additional "clawback" of any credit or benefit received under the agreement.

A taxpayer could claim the credit for the construction of a facility that would produce at least one or more of the following: batteries; battery components; storage systems; battery thermal and management components or systems; AC or DC power supplies; power electronics; battery formation and test equipment; or energy conversion devices including components related to such products of various sizes and capacities.

MCL 208.1107 & 208.1434 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce Michigan Business Tax revenue by $50.0 million relative to current law. The section of statute affected by the bill was originally estimated to reduce MBT revenue by up to $100.0 million over four years (with a maximum of $25.0 million per year) beginning after 2012. No taxpayer ultimately qualified for the credit as originally adopted. The bill would allow a taxpayer to claim not more than $50.0 million in credits over four years (with a maximum of $25.0 million per year).

To the extent that the business activity associated with the credit would not otherwise occur, any revenue loss under the bill would be offset, either partially or completely, by increased revenue from other taxes, particularly individual income taxes. Both the amount of the credit and the magnitude of any offsetting revenue would depend on the actual level of activity from an affected taxpayer, including whether other eligibility criteria were satisfied. For example, the taxpayer would not receive a credit unless the required minimum number of jobs had been created and the amount of the credit would depend on the actual number of jobs created.

Date Completed: 12-7-11 Fiscal Analyst: David Zin