Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 492 (as introduced 9-4-19)
Sponsor: Senator Ken Horn
Committee: Economic and Small Business Development

Date Completed: 10-16-19

CONTENT

The bill would amend Chapter 8D of the Michigan Strategic Fund Act to do the following:

- **Delete a provision prohibiting the Michigan Strategic Fund (MSF) from committing, and the Department of Treasury from disbursing, more than $200.0 million in "total withholding tax capture revenues" for the Good Jobs for Michigan Program.**
- **Eliminate a December 31, 2019, sunset after which the MSF may no longer designate an authorized business or enter into a new written agreement under the Good Jobs for Michigan Program.**

Under the Act, the MSF must operate the Good Jobs for Michigan Program to authorize the transfer of a dedicated portion of "withholding tax capture revenues" to authorized businesses that provide certified new jobs in Michigan. (The Act defines "withholding tax capture revenues" as the amount of income tax withheld under the Income Tax Act each calendar year that is attributable to individuals employed within certified new jobs.)

Generally, these authorized businesses must meet certain requirements regarding the creation and maintenance of a specified number of jobs before receiving a proportional amount of withholding tax capture revenues. The MSF may enter into up to 15 written agreements with authorized businesses each year.

The MSF may not commit, and the Department of Treasury may not disburse, an amount of "total withholding tax capture revenues" that exceeds $200.0 million, which includes the 5% payment for administrative expenses. For the purposes of this provision, "total withholding tax capture revenues" means the aggregate amount of withholding tax capture revenues that may be distributed to authorized businesses under all written agreements. The bill would delete these provisions.

Under the Michigan Strategic Fund Act, the MSF may not designate an authorized business or enter into a new written agreement on or after December 31, 2019. The bill would delete this provision.

MCL 125.2090h

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill likely would reduce revenue to the State General Fund by an unknown, and potentially significant, amount that would depend on the number of agreements into which the Michigan Strategic Fund entered, the specific terms of those agreements, and the location of the activities covered by the agreements. To the extent that more jobs affected by the bill were covered by provisions that allow 100% withholding capture, the bill would be more likely to result in revenue losses to the State General Fund. To the extent that any jobs affected by the bill would not exist absent the bill, the impact on the School Aid Fund also is unknown, but likely positive.

As the analysis for Public Act 109 of 2017, which created the section amended by the bill, indicated, the Act's provisions can generate negative impacts on the General Fund even if one assumes that the affected jobs would not exist absent the legislation. For any affected jobs that would have occurred absent the legislation, the provisions of Public Act 109 reduce State revenue.

Public Act 109 of 2017 limited the total potential revenue loss by ending withholding tax capture disbursements once they reached a total of $200.0 million over the life of the program and all agreements. As a result, in a situation where all of the withholding tax capture would represent a loss to the State, the original legislation limited any revenue loss to $200.0 million. Because the bill would both eliminate the sunset for entering into new agreements, and would eliminate the cap on total withholding tax capture, the bill would increase any potential revenue losses. Because there would not be a cap on the withholding tax capture, there would be no limit on the potential revenue loss. Under the assumption that the cap is being removed because it is binding, the potential revenue loss from the bill could be significant.

Fiscal Analyst: Cory Savino
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