Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 981 (as reported without amendment)
Senate Bill 982 (as reported without amendment)
Senate Bill 983 (as reported without amendment)
Sponsor: Senator Ken Horn (S.B. 981)
Senator Wayne A. Schmidt (S. B. 982)
Senator Mark Huizenga (S. B. 983)
Committee: Economic and Small Business Development

CONTENT

Senate Bill 981 would amend the Michigan Strategic Fund Act to do the following:

-- Require a qualified business to report certain tax information (i.e., construction period tax capture revenue, withholding tax capture revenue, and income tax capture revenue) concerning the improvement and use of a qualified project.
-- Require an eligible applicant to report certain tax information concerning the improvement and use of a strategic site or a mega-strategic site.
-- Require the Department of Treasury to develop the methods and processes necessary for a qualified business and an eligible applicant to report the tax information.
-- Require an owner of a strategic site or mega-strategic site to notify the Department if there were a change of ownership or if an end user commenced or terminated occupancy of the site.

Senate Bill 982 would amend the Michigan Trust Fund Act to require any amount of money exceeding $2.5 billion in the SOAR Fund at the close of a fiscal year to revert to the General Fund, not including money in the Fund that was restricted, obligated, or committed.

Senate Bill 983 would amend the Income Tax Act to require an amount equal to the construction period tax capture revenue, withholding tax capture revenue, and income tax capture revenue for a qualified project and an eligible project to be deposited each State fiscal year into the Strategic Outreach and Attraction Reserve (SOAR) Fund.

The bills are tie-barred.

MCL 125.2088s & 125.2088t (S.B. 981) Legislative Analyst: Olivia Ponte
MCL 12.254 (S.B. 982)
MCL 206.51f (S.B. 983)

FISCAL IMPACT

The bills would reduce State General Fund revenue and increase revenue to the SOAR Fund, by an identical and unknown amount that would depend on the timing and characteristics of the relevant projects and could be significant. The bills effectively would cap the revenue loss at $2.5 billion per year, although the fiscal impact likely would not reach that level in any given year. However, the bills would allow the cumulative impact of any revenue reductions to reach $2.5 billion, even absent any appropriations from the Fund, and would allow additional General Fund reductions if needed to maintain the SOAR Fund at that balance.

Under the terms of the bills, the amount of income tax revenue that could be redirected from the General Fund to the SOAR Fund would depend on the specific characteristics of each project that received investments from the Fund. Those characteristics would include the wages paid to certain workers involved with any construction, renovation or improvements associated with projects, the taxable income of qualified businesses involved with projects, and the wages and associated individual income tax withholding for employees who held qualified jobs. The reduction associated with each project would be limited to an amount 5.0% greater than the amount of SOAR revenue that was invested in a project. As a result, if a qualified investment in a project totaled $100.0 million, then the qualified business could receive $105.0 million in tax capture revenue. The degree to which the SOAR investment and any associated revenue capture would subsidize any given project would depend on the amount of the investments, the amount of the captures, and the other costs associated with a project.

Date Completed: 9-27-22 | Fiscal Analyst: Josh Sefton
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