

MEGA SBT CREDITS

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Senate Bill 802

Sponsor: Sen. Jason E. Allen

House Committee: Commerce

Senate Committee: Commerce and Labor

Complete to 6-5-06

A SUMMARY OF SENATE BILL 802 AS PASSED BY THE SENATE 1-25-06

The bill would amend the Michigan Economic Growth Authority Act, under which qualifying businesses can receive single business tax credits. The bill would amend the act in the following ways to affect the eligibility standards for firms.

** Increase from 25 to 35 the number of new written agreements that MEGA may execute each year for single business tax (SBT) credits for eligible businesses that are not qualified high-technology businesses, distressed business, or rural businesses.

** Of the 50 new written agreements allowed annually for qualified high-technology businesses or rural businesses, increase from 5 to 10 the number that may be awarded to qualified rural businesses.

** Decrease the general standard for the minimum number of new jobs that must be created or maintained from 75 to 50 for a facility expanding in the state and from 150 to 100 for a facility locating in the state. (Separate minimum job requirements apply for certain kinds of businesses based on location or the nature of the operation; for example, high-tech and rural business have lower minimum job requirements.)

** Allow MEGA to reduce the number of full-time jobs required in an agreement with a business for an SBT credit in order to adjust for decreases in the business's full-time jobs in Michigan due to the divestiture of operations, if another single employer continued to maintain those jobs. MEGA could not approve a reduction unless it could monitor the maintenance of jobs by the other employer.

** Authorize MEGA to enter into a written agreement to provide SBT credits to an eligible business that was located in Michigan on the date of application, maintained at least 675 retained jobs at a facility, agreed to create 400 new jobs, and agreed to make a new capital investment of at least \$45 million to be completed or contracted for not later than December 1, 2007.

** Reduce the average wage requirement for high-technology businesses from 400 percent to 300 percent of the federal minimum wage.

** Revise a provision added by Public Act 185 of 2005 that allows a credit to be issued to a facility at risk of being closed with the result that work would go out of state. The provision requires that 300 jobs be retained and that the business be a rural business (among other requirements). The requirement that the firm be a rural business would be deleted. Such a credit currently can only be awarded through 2006. The bill would extend the date to December 31, 2007. Also, one of the credit agreements under this provision currently can be issued without regard to certain standard requirements in defined circumstances; the bill would allow two credits to be so issued.

** Revise the definition of "qualified new job" to refer to a full-time job created by an eligible business that exceeds the lowest number of full-time jobs maintained by that business in Michigan in the immediately preceding 120 days before it became an authorized business. (The underlined words are added by the bill.)

As passed by the Senate, the bill is tie-barred to Senate Bills 579, now Public Act 22 of 2006; Senate Bill 599, now Public Act 113 of 2006; Senate Bill 922, which is now Public Act 116 of 2006; and House Bills 4733 and 4734, which are now Public Acts 111 and 112 of 2006. The bill is also tie-barred to Senate Bill 434 and Senate Bill 900, both of which have passed the Senate.

FISCAL IMPACT:

The bill would reduce Michigan Single Business Tax revenue by an indeterminate amount. The concept of full-time employees is expanded to include employees of other firms that are the result of a divestiture by the firm receiving MEGA tax credits. Other expansions include lowering the threshold for computing qualified new jobs. However, as each MEGA credit is the result of negotiations between the applicant and the Michigan Economic Development Corporation, no estimate of the lost revenue is possible. In addition, the Michigan Single Business Tax is scheduled to expire in 2009, and various efforts are underway that could eliminate the tax prior to 2009.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.