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BILL ANALYSIS

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Senate Bill 798 (as enrolled)
Sponsor: Senator Michelle A. McManus
Senate Committee: Commerce and Labor
House Committee: Commerce

PUBLIC ACT 185 of 2005

Date Completed: 3-31-06

CONTENT

The bill amended the Michigan Economic Growth Authority (MEGA) Act to authorize MEGA, until December 31, 2006, to enter into a written agreement to provide single business tax (SBT) credits with an eligible business that meets all of the following criteria:

- The business will maintain 300 retained jobs at a facility and is a rural business.
- The facility is at risk of being closed and, if it were to close, the work would go to a location outside of Michigan, as determined by MEGA.
- New management or ownership that is committed to improve the viability of the facility is proposed for it.
- The SBT credits are necessary for the facility to maintain operations.

Under the bill, MEGA may enter into one written agreement described above that is not subject to certain requirements for an SBT credit, if MEGA considers it in the public interest and the eligible business would have met some of the requirements within the immediately preceding six months from the signing of the tax credit agreement.

The requirements the business would have to have met include the following: the business's expansion, retention, or location in Michigan will not occur without the credits; the credits are an incentive to expand, retain, or locate in Michigan and address competitive disadvantages with out-of-State sites; the credits will result in an overall positive fiscal impact on the State; and the business's expansion, retention, or location will increase the opportunity for employment and strengthen the economy.

The bill took effect on October 24, 2005.

MCL 207.808

BACKGROUND

Hayes Lemmerz International reportedly purchased an iron foundry facility in Cadillac in 1999. By 2005, the company was considering closing the facility and moving its jobs to an out-of-State location, or selling the facility to a company that would retain the jobs in Michigan. Cadillac Casting Inc. apparently was interested in purchasing the facility and retaining the jobs in Cadillac, but was not willing to do so without tax credit incentives from the State.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill is designed to make one particular business eligible for a special MEGA single business tax credit. Assuming that MEGA actually grants a tax credit to this company, then the bill would have a very small negative impact on single business tax revenue. This loss in revenue would affect the General Fund/General Purpose budget. The bill would have no direct impact on local government.

Fiscal Analyst: Jay Wortley

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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.