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BILL ANALYSIS

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Senate Bill 798 (as reported without amendment)
Sponsor: Senator Michelle A. McManus
Committee: Commerce and Labor

CONTENT

The bill would amend 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 met all of the following criteria:

- The business maintained 300 retained jobs at a facility and was a rural business.
- The facility was 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 was committed to improve the viability of the facility was proposed for it.
- The SBT credits were necessary for the facility to maintain operations.

The Authority could enter into one written agreement described above that was excluded from certain requirements for an SBT credit, if MEGA considered 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. (Under the requirements the business would have to have met, 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.)

MCL 207.808

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill is designed to make one particular business eligible for a special MEGA single business tax credit. The fiscal impact of this bill depends on whether the business would stay in Michigan or leave without the tax credit. Both scenarios are described below.

Business Leaves Without Credit. If the business would leave Michigan without the tax credit, then this bill likely would have a positive fiscal impact. Under this scenario, there would be no SBT liability if the business left without the credit or stayed in Michigan with the credit, but there would be income tax revenue from the workers employed by this business if they stayed in Michigan, but none if they left.

Business Stays Without Credit. On the other hand, if this business would stay in Michigan with or without this tax credit, then the fiscal impact of this bill would be negative. Without the credit, the State would realize both income and single business tax revenue, but with the credit the State would realize only income tax revenue.

Date Completed: 10-11-05

Fiscal Analyst: Jay Wortley

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Analysis available @ <http://www.michiganlegislature.org>

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