

Legislative Analysis



MEGA: REVISE DEFINITIONS OF "HIGH-WAGE ACTIVITY" AND "QUALIFIED NEW JOB"

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Senate Bill 1367 (Substitute H-1)
Sponsor: Sen. Jason Allen
House Committee: Commerce
Senate Committee: Commerce and Tourism

Complete to 7-23-08

A SUMMARY OF SENATE BILL 1367 (H-1) AS REPORTED BY HOUSE COMMITTEE

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to revise the definitions of "qualified high-wage activity" and "qualified new job", and to revise the investment requirement for certain eligible businesses to enter into an agreement with MEGA for a Michigan business tax (MBT) credit.

The act allows MEGA to enter into an agreement with an eligible business for an MBT credit if the business meets a prescribed set of criteria. Among the criteria are creating and maintaining a minimum number of qualified new jobs at a facility, maintaining a certain number of full-time jobs in Michigan, and paying a certain level of wages. As a rule, the wages paid for each retained job and qualified new job must be at least 150 percent of the federal minimum wage. If the eligible business is a qualified high-wage activity, the wages paid for each qualified new job must be at least 300 percent of the federal minimum wage. The act defines "qualified high-wage activity" as a business that has an average wage. Senate Bill 1367 would define "qualified high-wage activity" as a business that has an average wage of 300 percent or more of the federal minimum wage. Senate Bill 1376 (H-1) also specifies that *beginning on the effective date of the legislation, the authority may include the value of the health care benefit in determining the wage paid for each retained job or qualified new job for an eligible business under this act.*

For jobs created after July 1, 2000, "qualified new job" means a full-time job at a facility created by an eligible business that is in excess of the number of full-time jobs maintained by that eligible business in Michigan up to 120 days before the eligible business became an authorized business, as determined by MEGA. Senate Bill 1367 would refer to up to 90 days before the eligible business became an authorized business.

Under the act, beginning January 1, 2008, after receiving an application for an MBT credit, MEGA may enter into a written agreement with an eligible business that does not meet criteria regarding qualified new jobs, full-time jobs, and wages, if the eligible business meets other specified criteria. These include agreeing to make new capital investment at a facility equal to \$50,000 or more per retained job maintained at the facility. Senate Bill 1367, instead, would require the business to agree to invest that

amount, through construction, acquisition, transfer, purchase, contract, or any other method as determined by MEGA.

MCL 207.803 & 207.808

HOUSE COMMITTEE ACTION:

The members of the House Commerce Committee adopted one amendment to the Senate-passed version of the bill. That amendment specifies that beginning on the effective date of this legislation, the Michigan Economic Growth Authority may include the value of an employer's health care benefit in determining the wage paid for each retained job or qualified new job for an eligible business. (As the bill passed the Senate, the value of the health care benefit could have been included to determine eligibility by the authority only once in the 2008 calendar year, in order to make a Saginaw-based business eligible for a tax credit.)

FISCAL IMPACT:

The changes proposed would ease the capital investment requirements under the Michigan Economic Growth Act, but would not have any measurable fiscal impact.

POSITIONS:

The Michigan Economic Development Corporation supports the bill. (7-23-08)

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