

HYBRID VEHICLE TECHNOLOGY CREDIT

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House Bill 5409

Sponsor: Rep. Steve Bieda

Committee: Tax Policy

Complete to 11-6-07

A SUMMARY OF HOUSE BILL 5409 AS INTRODUCED 11-1-07

The bill would amend the Michigan Business Tax Act (MCL 208.1451), which takes effect January 1, 2008, to put in place a tax credit for compensation paid by a taxpayer for services performed for hybrid vehicle research and development. This credit is currently found in Section 34 the Single Business Tax Act, which is repealed as of December 31, 2007, and is to be replaced by the MBT. The bill essentially transfers the credit from the SBT to the MBT.

This credit was put into the SBT by Public Act 472 of 2006 (Senate Bill 387). That act allows a taxpayer to receive a tax credit for 3.9 percent of the compensation paid for services performed for hybrid vehicle research and development at a facility in Troy, if the taxpayer entered into an agreement with the Michigan Economic Growth Authority (MEGA) by April 1, 2007. If the credit exceeds the taxpayer's tax liability for the tax year, the portion exceeding the tax liability is refundable. The maximum amount of the credit that any one taxpayer may claim is \$3 million in a single year. The credit is available for tax years ending before January 1, 2016.

Under the bill, a taxpayer claiming this credit would not be prohibited from claiming a research and development credit under Section 405 of the MBT, but the taxpayer could not claim a credit under both sections based on the same research and development.

The bill refers to a taxpayer engaged in research and development of a "qualified technology" and to the compensation paid to employees at a "qualified facility."

Qualified technology" means a hybrid system whose primary purpose is the propulsion of a motor vehicle. "Qualified facility" means a leased facility in a "qualified city" used for the research and development of a qualified technology. "Qualified city" means a city that has a population of not less than 80,000 and not more than 82,000, as designated by the U.S. Bureau of the Census in the 2000 census, that is located in a county with a population of not less than 1 million and not more than 1.3 million, as designated in that census. (The City of Troy, in Oakland County, is the only city that meets those criteria.)

[At the time Public Act 472 was enacted, it was described as designed to provide a tax credit to a new joint venture by General Motors, DaimlerChrysler, and BMW called the Hybrid Development Center, which is located in Troy.]

FISCAL IMPACT:

As noted above, the maximum amount of the credit is \$3 million per year.

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