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Senate Bill 71 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 6-17-09

CONTENT

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to do the following:

- Require MEGA to include additional information in its annual report to the Legislature.**
- Beginning October 1, 2009, require MEGA to report to the chairpersons of the Senate Appropriations and Finance Committees and the House Appropriations and Tax Policy Committees, and the directors of the Senate and House Fiscal Agencies.**
- Require the Auditor General to review MEGA's annual report to the Legislature and include comments with the report before MEGA could submit it.**

The Act requires MEGA to report on its activities to both houses of the Legislature yearly on October 1. Under the bill, beginning October 1, 2009, and each subsequent year, MEGA also would have to report to the chairpersons of the Senate Appropriations and Finance Committees, the chairpersons of the House of Representatives Appropriations and Tax Policy Committees, and the directors of the Senate and House Fiscal Agencies. In addition, MEGA would have to report to the chairperson or director, upon his or her written request. Before MEGA could submit the report, the Auditor General would have to review it and include comments about the review with the report.

Currently, the report must include the following information:

- The total amount of capital investment attracted under the Act.
- The total number of qualified new jobs created under the Act.
- The total number of new written agreements made by MEGA.
- The name and location of all authorized businesses and the names and addresses of the directors and officers of corporations, the partners of partnerships or limited liability partnerships, or the members of limited liability companies.
- The amount and duration of the tax credit separately for each authorized business.
- The amount of any fee, donation, or other payment of any kind from the authorized business to the Michigan Economic Development Corporation or a foundation or fund associated with it paid or made in the previous reporting year end.
- The total number of new written agreements entered into under Section 8(5) and, of those agreements, the number in which the MEGA board determined that it was in the public interest to waive one or more of the requirements of Section 8(1).

(Section 8(1) authorizes MEGA to enter into a written agreement for a business tax credit with an eligible business that meets criteria related to the location of the business, capital investment, and jobs created or retained by the business, as determined by MEGA. Section 8(5) authorized MEGA, through December 31, 2007, to enter into agreements with eligible businesses.)

Under the bill, in addition to the information currently required, the report would have to include the following:

- The amount of capital investment required and the number of jobs required to be created or retained for each authorized business to be eligible for the tax credits under the Act.
- For each written agreement with each authorized business, the actual number of jobs created or retained, the total capital investment at that facility, and the total value of the tax credits received for that year and all previous years under the written agreement.
- The total capital investment for the credit under new written agreements entered into under Section 8(5).
- A copy of each certificate issued under Section 431, 431a, 431b, or 431c of the Michigan Business Tax (MBT) Act.

(Under Section 431, a taxpayer that is an authorized business, as defined in the MEGA Act, may claim an MBT credit based on payroll and health care benefits. Under Sections 431a and 431c, a qualified taxpayer that MEGA has designated as an anchor company may claim an MBT credit for payroll attributable to employees of a qualified supplier or customer, and for a percentage of the taxable value of a qualified supplier's or customer's property. Section 431b allows a payroll-based MBT credit for a qualified taxpayer that has been awarded a Federal procurement contract by the U.S. Department of Defense, Energy, or Homeland Security.)

MCL 207.810

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The additional reporting requirements proposed by the bill would increase the administrative responsibilities of the Michigan Strategic Fund, particularly in FY 2008-09 when it would be necessary to compile the historical data for the October 1, 2009, report date. It is likely that these costs could be absorbed within the agency's existing appropriations.

The Legislative Auditor General could incur additional costs to review the required report. Depending on the staff time needed to perform the review, additional appropriations could be required to hire additional personnel.

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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.