

**SUBSTITUTE FOR  
SENATE BILL NO. 319**

A bill to amend 2007 PA 36, entitled  
"Michigan business tax act,"  
by amending section 434 (MCL 208.1434), as added by 2008 PA 580.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 434. (1) The Michigan economic growth authority is  
2       authorized to enter into agreements to provide tax credits  
3       available under this section to stimulate the domestic  
4       commercialization and affordability of high-power energy batteries,  
5       the lack of which today is limiting hybrid, plug-in hybrid battery-  
6       electric, and fuel cell vehicle applications, and to help insure  
7       that job growth from battery technology and commercial production  
8       develops alongside advanced vehicle technology development and  
9       renewable power generation initiatives both within and outside the  
10      transportation sector.

11       (2) Subject to the limitations provided under this section,

1 for tax years that begin on or after January 1, 2010 and end before  
2 January 1, 2015, a taxpayer that has entered into an agreement with  
3 the Michigan economic growth authority that provides that the  
4 taxpayer will manufacture plug-in traction battery packs in this  
5 state may claim a credit against the tax imposed by this act for  
6 the manufacture of those plug-in traction battery packs as provided  
7 in this section. The Michigan economic growth authority may enter  
8 into more than 1 agreement under this section. However, the total  
9 number of plug-in traction battery packs eligible for all credits  
10 under all agreements allowed under this section shall not exceed  
11 the number of plug-in traction battery packs eligible for a credit  
12 as provided in this section and at least 1 agreement shall make  
13 capital investments of not less than \$200,000,000.00 not later than  
14 December 31, 2012. A taxpayer shall not claim a credit under this  
15 section for more than 3 years. The total of all credits allowed  
16 under this section shall be as follows:

17 (a) For tax years beginning after December 31, 2010 and ending  
18 before January 1, 2012, \$500.00 for an equivalent of 4 kilowatt  
19 hours of battery capacity plus \$125.00 for each kilowatt hour of  
20 battery capacity in excess of 4 kilowatt hours of battery capacity  
21 not to exceed \$2,000.00 for each plug-in traction battery pack. The  
22 total number of traction battery packs shall not exceed 20,000  
23 plug-in traction battery pack units under this subdivision, and the  
24 total amount of credits allowed under this subdivision shall not  
25 exceed \$40,000,000.00.

26 (b) For tax years beginning after December 31, 2011 and ending  
27 before January 1, 2013, \$375.00 for an equivalent of 4 kilowatt

1 hours of battery capacity plus \$93.75 for each kilowatt hour of  
2 battery capacity in excess of 4 kilowatt hours of battery capacity  
3 not to exceed \$1,500.00 for each plug-in traction battery pack. The  
4 total number of traction battery packs shall not exceed 40,000  
5 plug-in traction battery pack units under this subdivision, and the  
6 total amount of credits allowed under this subdivision shall not  
7 exceed \$43,000,000.00. A single taxpayer shall not claim a credit  
8 for more than 25,000 plug-in traction battery pack units under this  
9 subdivision. The number of battery pack units not used for credits  
10 under subdivision (a) may be added to the total number of battery  
11 pack units for which a credit is available under this subdivision,  
12 and the credits for those units shall be calculated as described in  
13 subdivision (a) and shall be in addition to the maximums allowed  
14 for any 1 taxpayer under this subdivision or the total limits  
15 allowed under this subdivision.

16 (c) For tax years beginning after December 31, 2012 and ending  
17 before January 1, 2014, \$375.00 for an equivalent of 4 kilowatt  
18 hours of battery capacity plus \$93.75 for each kilowatt hour of  
19 battery capacity in excess of 4 kilowatt hours not to exceed  
20 \$1,500.00 for each plug-in traction battery pack. The total number  
21 of traction battery packs shall not exceed 40,000 plug-in traction  
22 battery pack units under this subdivision, and the total amount of  
23 credits allowed under this subdivision shall not exceed  
24 \$43,000,000.00. A single taxpayer shall not claim a credit for more  
25 than 25,000 plug-in traction battery pack units under this  
26 subdivision.

27 (d) For tax years beginning after December 31, 2013 and ending

1 before January 1, 2015, \$375.00 for an equivalent of 4 kilowatt  
2 hours of battery capacity plus \$93.75 for each kilowatt hour of  
3 battery capacity in excess of 4 kilowatt hours not to exceed  
4 \$1,500.00 for each plug-in traction battery pack. The total number  
5 of traction battery packs shall not exceed 25,000 plug-in traction  
6 battery pack units under this subdivision, and the total amount of  
7 credits allowed under this subdivision shall not exceed  
8 \$9,000,000.00.

9 (3) For tax years that begin on or after January 1, 2012 and  
10 subject to the limitations of this subsection, a taxpayer may claim  
11 a credit of up to 75% of the qualified expenses for vehicle  
12 engineering in this state to support battery integration,  
13 prototyping, and launch expenses incurred for tax years that begin  
14 on or after January 1, 2009 and end before January 1, 2014. This  
15 credit shall not exceed \$15,000,000.00 per year as agreed to and  
16 certified by the Michigan economic growth authority. Any expenses  
17 for which a credit is claimed under this subsection shall not be  
18 included in costs and expenses used for credits available under  
19 sections 403 and 405. The Michigan economic growth authority may  
20 not authorize more than \$70,000,000.00 in total credits to all  
21 taxpayers under this subsection. To claim the credit under this  
22 subsection, a taxpayer must manufacture a cumulative total of at  
23 least 1,000 motor vehicles that would qualify for the credit under  
24 section 30D of the internal revenue code and the credit shall be  
25 available to the taxpayer only for the following percentages of the  
26 total authorized annual expenses:

27 (a) In a tax year in which the taxpayer has manufactured a

1 cumulative total of at least 1,000 motor vehicles and fewer than  
2 2,000 motor vehicles that qualify for the credit under section 30D  
3 of the internal revenue code, 20%.

4 (b) In a tax year in which the taxpayer has manufactured a  
5 cumulative total of at least 2,000 motor vehicles but fewer than  
6 3,000 motor vehicles that qualify for the credit under section 30D  
7 of the internal revenue code, 40%.

8 (c) In a tax year in which the taxpayer has manufactured a  
9 cumulative total of at least 3,000 motor vehicles but fewer than  
10 4,000 motor vehicles that qualify for the credit under section 30D  
11 of the internal revenue code, 60%.

12 (d) In a tax year in which the taxpayer has manufactured a  
13 cumulative total of at least 4,000 motor vehicles but fewer than  
14 5,000 motor vehicles that qualify for the credit under section 30D  
15 of the internal revenue code, 80%.

16 (e) In a tax year in which the taxpayer has manufactured a  
17 cumulative total of at least 5,000 motor vehicles that qualify for  
18 the credit under section 30D of the internal revenue code, 100%.

19 (4) For tax years that begin on or after January 1, 2012 and  
20 end before January 1, 2015, a taxpayer that has entered into an  
21 agreement with the Michigan economic growth authority that provides  
22 that the taxpayer will increase its engineering activities in this  
23 state for advanced automotive battery technologies may claim a  
24 credit under this subsection. A taxpayer's qualified advanced  
25 battery engineering expenses for advanced automotive battery  
26 technologies shall exceed those expenses for the taxpayer's 2008  
27 fiscal year to qualify for the credit under this subsection. The

1 Michigan economic growth authority may enter into not more than 1  
2 agreement for advanced battery engineering credits, and the total  
3 value of credits available under this subsection is limited to  
4 \$30,000,000.00. The credits under this subsection shall be allowed  
5 as follows:

6 (a) Up to 75% of the total dollar amount of the qualified  
7 advance battery engineering expenses of an authorized business  
8 incurred during tax years beginning on or after January 1, 2009 and  
9 ending before January 1, 2014. The taxpayer must submit to the  
10 Michigan economic growth authority an affidavit certifying the  
11 amount of qualified advanced battery engineering expenses for each  
12 year.

13 (b) Notwithstanding any other provision of this section, a  
14 taxpayer may claim no more than \$10,000,000.00 in credits under  
15 this subsection in any tax year.

16 (c) The credits available under this subsection shall not be  
17 allowed if the taxpayer claims credits under subsection (2) for  
18 battery pack assembly for the tax year. Notwithstanding this  
19 limitation, the credits available under this subsection are in  
20 addition to any other incentives which may be authorized under the  
21 Michigan economic growth authority act, 1995 PA 24, MCL 207.801 to  
22 207.810, for other related or unrelated projects including the  
23 vehicle research and development expenses authorized under  
24 subsection (3). Any expenses for which a credit is claimed under  
25 this subsection shall not be included in costs and expenses used  
26 for credits available under sections 403 and 405.

27 (5) A taxpayer that has entered into an agreement with the

1 Michigan economic growth authority may claim a credit equal to 50%  
2 of the capital investment expenses for any tax year for the  
3 construction of an integrative cell manufacturing facility that  
4 includes anode and cathode manufacturing and cell assembly if the  
5 taxpayer will create not less than 300 new jobs in this state. Not  
6 more than ~~1 agreement~~ **3 AGREEMENTS** may be entered into under this  
7 section, and the maximum allowable credit under ~~that~~ **EACH** agreement  
8 shall not exceed \$25,000,000.00 per year for no more than 4 years.  
9 No credit shall be claimed in a tax year beginning before 2012.  
10 However, tax credits may be based on expenses incurred in this  
11 state in prior years. The Michigan economic growth authority shall  
12 not enter into an agreement under this subsection after ~~August~~  
13 **OCTOBER 1, 2009.**

14 (6) The Michigan economic growth authority shall appoint a  
15 review board to advise it about decisions concerning credits under  
16 subsection (5). The review board shall be composed of not fewer  
17 than 2 representatives from automotive manufacturers and 2  
18 independent scientists. Additional experts may be sought on an ad  
19 hoc basis to review business plans and addressable markets. In  
20 making its recommendations, the review board shall give preference  
21 to technologies presenting novel materials, manufacturing, and  
22 performance qualities. The review board shall also consider all of  
23 the following:

24 (a) Business activities related to advanced battery technology  
25 occurring exclusively in Michigan.

26 (b) Activities directly related to whole cell production, from  
27 materials to large format cells, in Michigan.

1 (c) Scalability of manufacturing processes that are  
2 established, are robust, and address strategic global automotive  
3 market requirements.

4 (7) Credits under this section shall be taken after  
5 nonrefundable credits available under this act. If a credit or the  
6 sum of credits allowed under this section exceeds the tax liability  
7 of the taxpayer for the tax year, the taxpayer may elect to have  
8 that portion that exceeds the tax liability of the taxpayer  
9 refunded or to have the excess carried forward to offset tax  
10 liability in subsequent tax years for 10 years or until used up,  
11 whichever occurs first. Amounts carried forward shall not affect  
12 the maximum amount of credits that may be claimed in subsequent  
13 years.

14 (8) An agreement entered into for tax credits under this  
15 section shall specify all of the following:

16 (a) For credits provided under subsection (2), the number of  
17 plug-in traction battery packs eligible for a credit for each tax  
18 year covered by the period of the agreement and the maximum amount  
19 of the credit that may be claimed by the taxpayer in each tax year.

20 (b) If the taxpayer claims a credit under subsection (3), the  
21 qualified expenses for vehicle engineering, prototype, and launch  
22 costs and the annual and total dollar amount of the credits that  
23 may be claimed under subsection (3).

24 (c) If the taxpayer claims a credit under subsection (4), the  
25 total dollar amount of the credits that may be claimed under  
26 subsection (4).

27 (d) If a taxpayer claims a credit under subsection (5), all of



1 the following:

2 (i) The location of the facility.

3 (ii) The estimated total cost of the facility.

4 (iii) The capital investment expenses that qualify for the  
5 credit under subsection (5).

6 (iv) The annual and total dollar amount of the credits that may  
7 be claimed under subsection (5).

8 (9) A taxpayer shall not claim a credit under this section  
9 unless the Michigan economic growth authority has issued a  
10 certificate to the taxpayer. The taxpayer shall attach the  
11 certificate to the annual return filed under this act on which a  
12 credit under this section is claimed. The certificate required  
13 under this subsection shall state all of the following:

14 (a) The taxpayer is located in this state and engaged in  
15 activity that qualifies for the credit under this section.

16 (b) The taxpayer's federal employer identification number or  
17 the Michigan department of treasury number assigned to the taxpayer  
18 and, for a taxpayer that is a unitary business group, the federal  
19 employer identification number or Michigan department of treasury  
20 number assigned to the member of the group engaged in this state in  
21 the manufacturing of plug-in traction battery packs.

22 (c) If applicable, the number of plug-in traction battery  
23 packs manufactured by the taxpayer during the designated tax year  
24 and the amount of the credit under this section for which the  
25 taxpayer is allowed to claim for the designated tax year.

26 (d) For credits available under subsections (3), (4), and (5),  
27 the amount of the credit available for the tax year and such other

1 information as may be required by the department.

2 (10) As used in this section:

3 (a) "Advanced automotive battery technology" means a  
4 rechargeable lithium battery that supports vehicle propulsion or  
5 other advanced technologies as may be further defined by the  
6 Michigan economic growth authority.

7 (b) "Battery cell" means the basic electrochemical unit that  
8 provides a source of electrical energy by direct conversion of  
9 chemical energy and consists of an assembly of electrodes,  
10 separators, electrolyte, container, and terminals.

11 (c) "Capital investment" means expenses incurred during the  
12 tax year and included in an agreement under this section that are  
13 associated with facilities, equipment, tooling and engineering, and  
14 manufacturing, including salaries, contract services, taxes,  
15 utilities, raw materials, and supplies.

16 (d) "Michigan economic growth authority" means the Michigan  
17 economic growth authority created in the Michigan economic growth  
18 authority act, 1995 PA 24, MCL 207.801 to 207.810.

19 (e) "Plug-in traction battery pack" means an electrochemical  
20 energy storage device that meets the following requirements:

21 (i) Has a traction battery capacity of not less than 4.0  
22 kilowatt hours.

23 (ii) Is equipped with an electrical plug by means of which it  
24 can be energized and recharged when plugged into an external source  
25 of power.

26 (iii) Consists of standardized configuration and is mass-  
27 produced.

1           (iv) Has been tested and approved by the national highway  
2 transportation safety administration as compliant with applicable  
3 motor vehicle and motor vehicle equipment safety standards when  
4 installed by a mechanic with standardized training in protocols  
5 established by the manufacturer as part of a nationwide  
6 distribution program.

7           (v) Is installed in a new qualified plug-in electric drive  
8 motor vehicle that qualifies for the credit under section 30D of  
9 the internal revenue code.

10          (f) "Qualified advanced battery engineering expenses" means  
11 that part of a taxpayer's qualified research expenses as defined  
12 under section 41(b) of the internal revenue code related to  
13 engineering research and development related to advanced automotive  
14 battery technology.

15          (g) "Qualified expenses for vehicle engineering" means that  
16 part of a taxpayer's expenses for activities within this state  
17 related to integrating batteries into a motor vehicle that would  
18 qualify for the credit under section 30D of the internal revenue  
19 code including such qualified research expenses as defined under  
20 section 41(b) of the internal revenue code.

21          (h) "Traction battery capacity" is the number of kilowatt  
22 hours measured from a 100% state of charge to a 0% state of charge.