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Senate Bill 492 (Substitute S-2 as reported)
Sponsor: Senator Ken Horn
Committee: Economic and Small Business Development

CONTENT

The bill would amend Chapter 8D of the Michigan Strategic Fund Act to do the following:

- Modify, from \$200.0 million to \$500.0 million, the maximum amount the Michigan Strategic Fund (MSF) may commit in "total withholding tax capture revenues" for the Good Jobs for Michigan Program.
- Modify, from December 31, 2019, to December 31, 2024, the sunset date after which the MSF may no longer designate an authorized business or enter into a new written agreement under the Good Jobs for Michigan Program.

MCL 125.2090h

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill likely would reduce revenue to the State General Fund by an unknown, and potentially significant, amount that would depend on the number of agreements into which the Michigan Strategic Fund entered, the specific terms of those agreements, and the location of the activities covered by the agreements. To the extent that more jobs affected by the bill were covered by provisions that allow 100% withholding capture, the bill would be more likely to result in revenue losses to the State General Fund. To the extent that any jobs affected by the bill would not exist absent the bill, the impact on the School Aid Fund also is unknown, but likely positive.

As the analysis for Public Act 109 of 2017 (which created the section amended by the bill) indicated, the Act's provisions can generate negative impacts on the General Fund even if one assumes the affected jobs would not exist absent the legislation. For any affected jobs that would have occurred absent the legislation, the provisions of Public Act 109 reduce State revenue.

Public Act 109 of 2017 limited the total potential revenue loss by ending withholding tax capture disbursements once they reached a total of \$200.0 million over the life of the program and all agreements. As a result, in a situation where all of the withholding tax capture would represent a loss to the State, the original legislation limited any revenue loss to \$200.0 million.

Because the bill would extend the sunset for entering into new agreements by five years, to December 31, 2024, and would increase the cap on total withholding tax capture to \$500.0 million, the bill would increase any potential revenue losses. While the modified limit would increase the potential revenue loss from \$200.0 million to \$500.0 million, as the analysis for Public Act 109 of 2017 indicated, not all withholding tax capture subject to the limit represents a loss of revenue.

Date Completed: 10-29-19

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