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BILL ANALYSIS

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Senate Bill 857 (Substitute S-3 as reported)
Sponsor: Senator Gerald Van Woerkom
Committee: Commerce and Tourism

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to:

-- Allow the Michigan Economic Growth Authority (MEGA) to enter into a maximum of five, rather than four, tax credit agreements for the construction of an integrative cell (battery) manufacturing facility.
-- Extend the deadline for MEGA to enter into those agreements.
-- Require agreements for various battery-related tax credits under the Act to include a repayment provision.

Under the Act, a taxpayer that has entered into an agreement with MEGA may claim an MBT credit equal to 50% of the capital investment expenses for any tax year for the construction of an integrative cell manufacturing facility that includes anode and cathode manufacturing and cell assembly, if the taxpayer will create at least 300 new jobs in Michigan. The Authority may enter into not more than four such agreements, each with a maximum allowable credit of $25.0 million per year for up to four years. No credit may be claimed in a tax year beginning before 2012, but credits may be based on expenses incurred in Michigan in earlier years. The Authority may not enter into an agreement after October 1, 2009. Under the bill, MEGA could enter into up to five of these agreements, and would have until March 31, 2010, to enter into an agreement.

Under the bill, an agreement entered into for any of the battery-related tax credits available under the Act would have to include a repayment provision specifying that, if the taxpayer subsequently failed to meet certain requirements of the agreement, as determined by MEGA, the taxpayer could have its credit reduced or terminated or have a percentage of the amount of a credit previously claimed added back to the taxpayer's tax liability in the year that the taxpayer failed to comply with the agreement.

MCL 208.1434 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce MBT revenue by a maximum of $25.0 million per year beginning with the 2012 tax year. The maximum revenue loss from the bill would total $100.0 million.

Date Completed: 12-2-09 Fiscal Analyst: David Zin