



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 5246 (Substitute H-2 as reported without amendment)

Sponsor: Representative David Farhat

House Committee: Commerce

Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Single Business Tax (SBT) Act to extend to December 31, 2009, the ability of the Michigan Economic Growth Authority (MEGA) to award certain tax credits; require a taxpayer who claimed a credit to verify the actual number of new jobs created, if requested by MEGA; and transfer some powers pertaining to SBT credits from the Department of Treasury to MEGA and from the State Treasurer to the MEGA chairperson.

Under the SBT Act, an authorized business (as defined in the MEGA Act) may claim credits against the SBT for certain business activities, creating qualified new jobs, or maintaining retained jobs in Michigan if the authorized business has a certificate issued under the MEGA Act.

Section 38g of the SBT Act allows an eligible taxpayer that meets capital investment and job retention criteria, to claim an SBT credit in an amount certified each year by MEGA for tax years that begin after 1999, for a period not to exceed 20 years as determined by the Authority. A credit may not be claimed if the eligible taxpayer's initial certification under the MEGA Act is issued after December 31, 2003. Under the bill, the credit could not be claimed if the eligible taxpayer's initial certification were issued after December 31, 2009.

The bill also specifies that, if MEGA or a MEGA designee requested a taxpayer who claimed a job retention credit to have a statement prepared by a certified public accountant verifying that the actual number of new jobs created was the same number of new jobs used to calculate the credit, the taxpayer would have to secure such a statement and attach it to the taxpayer's annual return on which the SBT credit was claimed.

The bill is tie-barred to House Bill 5255.

MCL 208.38g

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

House Bills 5246 and 5255 would reduce single business tax revenue by an unknown and potentially significant amount. In addition to extending the sunset on existing single business tax credits intended to help qualifying businesses, these bills would expand the businesses that would qualify for these special tax reductions, as described above. It is not possible to provide a meaningful and reasonable estimate of the fiscal impact of these bills because there are too many unknown factors. Some of the key unknown factors include the number of businesses that would apply for and be granted these tax credits, the size of the credits and the tax liability of those that would receive the credits, the amount of the proposed new credits designed to provide tax relief to specific companies, and the extent to which the business activity for which these credits would be given would occur absent these tax credits.

Date Completed: 12-17-03

Fiscal Analyst: Jay Wortley