

# Legislative Analysis

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## MEGA ELIGIBILITY

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**House Bill 6034 as introduced**  
**Sponsor: Rep. Bill Huizenga**

**House Bill 6035 (Substitute H-1)**  
**Sponsor: Rep. Rick Baxter**  
**Committee: Commerce**

**Complete to 5-10-06**

## A SUMMARY OF HOUSE BILLS 6034 & 6035 AS REPORTED FROM COMMITTEE

Each bill would amend Section 3 of the Michigan Economic Growth Authority Act (MCL 207.803), under which single business tax credits are available to eligible businesses that create new jobs or maintain existing jobs. Section 3 is the definitions section of the act.

House Bill 6034 would amend the definition of "qualified high-technology business" to include "a facility" (in addition to "a business") whose primary business activity is high-technology activity. A "facility" is a site or sites where an authorized business or a subsidiary maintains jobs or creates new jobs.

House Bill 6035 would amend the definition of "full-time job" to include a job performed by an individual at a business that sells all or part of its assets to an eligible business that is receiving a MEGA SBT credit.

## BACKGROUND & FISCAL IMPACT:

House Bill 6034: This bill is intended to allow traditional manufacturers, such as the Big 3 and their Tier 1 and Tier 2 suppliers to qualify for MEGA tax credits for a leading edge technology facility, even though their core business is traditional. An example provided at the committee hearing was Ford Motor's Michigan Proving Grounds. Currently the firm is deciding whether to consolidate its proving grounds in Michigan or in Arizona; the MEGA SBT credit would play a role in that decision, according to committee testimony. Since the existing caps on the number of allowable annual MEGA credits is not changed, the fiscal impact could range from none in a given year to a significant loss of Michigan Single Business Tax revenue. Both the number of firms that will open such facilities and whether such facilities will qualify under the cap for a given year are indeterminate.

House Bill 6035: This bill is intended to anticipate various employee leasing options and sales of segments of a business, especially those affecting automotive manufacturing. It would allow, for example, an automaker to sell off a portion of its business to another firm while retaining its employees as its own and leasing them to the spun-off firm.

These jobs would then be used by the spun-off company to qualify for a MEGA SBT credit. According to testimony, this would be useful in cases where auto companies have taken over struggling suppliers, which they intend to sell off. Because the caps on the annual number of allowable MEGA credits are not changed, the fiscal impact could range from none in a given year to a significant loss of Michigan Single Business Tax revenue. The number of additional firms who will qualify for MEGA credits under this bill is indeterminate.

**POSITIONS:**

The Michigan Economic Development Corporation supports the bills. (5-9-06)

Representatives from the Ford Motor Company testified in support of the bills. (5-9-06)

Others indicating support for the bills were General Motors; DaimlerChrysler; and the Grand Rapids Chamber of Commerce. (5-9-06)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.