



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



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

Senate Bill 1187 (Substitute S-4 as reported by the Committee of the Whole)
Senate Bill 1188 (Substitute S-2 as reported)
Senate Bill 1189 (Substitute S-4 as reported by the Committee of the Whole)
Senate Bill 1190 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator Tony Stamas (S.B. 1187)
 Senator Jud Gilbert, II (S.B. 1188)
 Senator Hansen Clarke (S.B. 1189)
 Senator Tupac A. Hunter (S.B. 1190)
Committee: Commerce and Tourism

CONTENT

Senate Bill 1187 (S-4) would amend the Michigan Economic Growth Authority (MEGA) Act to include tourism attraction facilities and qualified lodging facilities in the definition of "eligible business", and add a "qualified high-wage activity" to the definition of "qualified high-technology business". The Act allows MEGA to enter into an agreement with an eligible business (including a high-technology business) for a credit against the Michigan business tax.

Under the bill, "qualified high-wage activity" would mean a business that has an average wage of 300% or more of the Federal minimum wage, including a business that engages in architecture and design, including architectural design, graphic design, interior design, fashion design, and industrial design; and/or advertising and marketing, including advertising and marketing firms and agencies, public relations agencies, and display advertising.

The bill also would allow MEGA members to attend meetings by use of telecommunication or other electronic equipment, if authorized by MEGA's bylaws.

Senate Bill 1188 (S-2) would amend the Michigan Business Tax (MBT) Act to allow a person or group of people acting collectively to enter into an agreement with MEGA for a tax credit based on qualified new jobs created as a result of winning a procurement contract with the U.S. Department of Defense, Department of Energy, or Department of Homeland Security. A recipient of the credit would have to create a minimum of 25 qualified new jobs.

A taxpayer could not claim a credit under the bill unless MEGA had issued the taxpayer a certificate of designation as a qualified taxpayer. A credit could not be provided for a tax year before the tax year during which certification was made.

Senate Bill 1189 (S-4) would amend the MEGA Act to:

- Reduce, from 100 to 50, the minimum number of new jobs that a business must create or the number of retained jobs that business must maintain to qualify for an MBT credit through MEGA.
- Delete requirements for an MBT credit granted by MEGA, relating to a determination that expansion, retention, or location of a business in Michigan will not occur without tax credits; local unit commitments to an eligible business for its expansion, retention, or

location; and the reuse or redevelopment of property that was previously used for an industrial or commercial purpose.

- Require MEGA, in determining the amount and duration of an MBT credit, to consider whether business expansion, retention, or location in Michigan would occur without tax credits and whether an authorized business reused or redeveloped industrial or commercial property, in addition to other factors.
- Allow MEGA to execute new written agreements each year that, in total, provided up to 400 yearly credits over the terms of those agreements entered into that year, rather than up to 25 new agreements each year.
- Beginning on January 1, 2008, allow MEGA to enter into an agreement for an MBT credit with a business that did not meet the criteria for a credit, if the business met certain requirements regarding job retention, new capital investment, and other factors, or the business agreed to occupy a "historic resource" that was located in a downtown district and met certain job creation or retention and wage level standards.
- Specify that MEGA could not execute more than five new agreements each year for eligible businesses that occupied a historic resource located in a downtown district, and could not execute more than four such agreements for businesses in local units with a population over 16,000.
- Require a new tax credit agreement to provide for the repayment of credits if the business moved jobs outside of Michigan.

Senate Bill 1190 (S-3) would amend the MBT Act to:

- Allow certain MBT credits issued by MEGA to include the cost of health care benefits, as well as payroll, attributable to qualified new jobs.
- Allow a tax credit for a qualified high-technology business, for up to seven years, of up to 200% of the sum of payroll and health care benefits attributable to employees who performed qualified new jobs, multiplied by the tax rate, for the first three years of the credit, and up to 100% of the sum of payroll and health care benefits attributable to those jobs, multiplied by the tax rate, for each remaining year of the tax credit.
- Allow a tax credit to be issued to authorized businesses that otherwise did not meet the criteria for an MBT credit issued by MEGA, but met criteria in Senate Bill 1189 (S-3).
- Specify that a taxpayer that failed to meet requirements for claiming an MBT credit issued by MEGA could have its credit reduced or terminated or added to its tax liability.

The bills are tie-barred.

MCL 207.803 & 207.805 (S.B. 1187)
Proposed MCL 208.1431b (S.B. 1188)
MCL 207.806 & 207.808 (S.B. 1189)
MCL 208.1431 (S.B. 1190)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

These bills would reduce Michigan business tax revenue, but it is not possible to make a reasonable estimate of the magnitude of the loss in revenue at this time because there is no way to know: 1) how many businesses would meet these various proposed new eligibility requirements for MEGA tax credits, 2) the level of business activity these new qualifying companies would have, or 3) the amount of net new credits that MEGA actually would grant. The General Fund/General Purpose budget would experience the loss in Michigan business tax revenue that would occur under these bills. The bills would not directly affect local government.

Date Completed: 3-25-08

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.