

Legislative Analysis



MICHIGAN ECONOMIC GROWTH AUTHORITY TAX CREDIT AMENDMENTS

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4333 as introduced
Sponsor: Rep. Lee Chatfield

Analysis available at
<http://www.legislature.mi.gov>

House Bill 4334 as introduced
Sponsor: Rep. Gary Glenn
House Committee: Tax Policy

Complete to 4-14-15

BRIEF SUMMARY: House Bills 4333 and 4334 would prohibit the Michigan Economic Growth Authority (MEGA), or its successor, from entering into new agreements with eligible business, or modifying or amending an existing agreement with an authorized business, for a certified credit unless the modification or amendment reduced the net amount of the credit to the authorized business and did not provide the authorized business a longer term to claim the an existing credit.

FISCAL IMPACT: House Bills 4333 and 4334 would have an indeterminate, but potentially positive, fiscal impact on state revenues. Any fiscal impact would be directly correlated to the number of amendments foregone due to the provisions of the bill. To the extent that the bills reduce the value of outstanding credits by limiting the ability to amend existing agreements, any savings would accrue to the General Fund. The Michigan Strategic Fund (MSF) Board has stated it has no future plans for authorizing amendments increasing the net amount of the credit to the authorized business.

The provisions of the bill would allow for the authorization of technical amendments. Based on the language of the bill, technical amendments would include any change that did not increase the net amount of the credit or provide a longer term to claim the existing credit. Amendments that revise the wage threshold, job threshold, or facilities that can be included when calculating new or retained jobs would be allowed under the bill. While these amendments may not increase the net amount of the tax credit, they may make it easier to qualify for an existing tax credit.

THE APPARENT PROBLEM:

Subsequent to the original tax credit agreements between MEGA or its successor and eligible businesses, amendments increasing the net amount of tax credits have been executed by the MEGA Board and MSF Board, making it difficult to determine the impact of the tax credits on annual revenues. These amendments increased the net value of the tax credits even though the ability of the MEGA or its successor to enter into new tax credit agreements had been eliminated.

THE CONTENT OF THE BILL:

House Bill 4333 would amend the Michigan Economic Growth Authority Act to prohibit, beginning January 1, 2015, the MEGA or its successor from entering into a new written agreement with an eligible business, or modifying or amending an existing written agreement with an authorized business, for certain certified credits (summarized below), unless the modification or amendment reduced the net amount of the credit to the authorized business. The provisions of the bill would also prohibit MEGA or its successor from modifying or amending an existing agreement to provide the authorized business with a longer term to claim its existing credit.

The bill would allow MEGA, or its successor, to modify or amend an existing agreement for technical changes as long as the modification or amendment does not increase the net amount of the credit. A definition of what constitutes a technical amendment is not provided and based on the provisions of the bill it would include any change that did not increase the net amount of the credit or provide a longer term to claim the existing credit.

The provisions of the bill affect the following certified tax credits:

- New facility for development and manufacture of photovoltaic energy, photovoltaic systems, or other photovoltaic technology tax credit (MCL 208.1430)
- MEGA new job tax credit (MCL 208.1431)
- MEGA job retention tax credit (MCL 208.1431)
- Anchor company tax credits (MCL 208.1431a; MCL 208.1431c)
- Federal contracts tax credit (MCL 208.1431b)
- Polycrystalline silicon tax credit (MCL 208.1432)
- Battery pack credits (MCL 208.1434)
- Hybrid technology research and development tax credit (MCL 208.1450)

House Bill 4334 would amend the Michigan Business Tax Act by including the same provisions summarized above.

Fiscal Analysts: Ben Gielczyk
Jim Stansell

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