

**House Bill 5445 as introduced**  
**Sponsor: Rep. Bill Huizenga**  
**Committee: Commerce**

**Senate Bill 824 (Substitute H-5)**  
**Sponsor: Sen. Jason E. Allen**  
**Senate Committee: Commerce & Labor**  
**House Committee: Commerce**

**First Analysis (2-5-04)**

***THE APPARENT PROBLEM:***

A recent package of legislation extended the ability of the Michigan Economic Growth Authority (MEGA) to award single business tax (SBT) credits until December 31, 2009 and made a number of changes to the MEGA program, including the addition of new kinds of credits for “distressed businesses”, “rural businesses”, and businesses involved in certain kinds of international competition. The changes are contained in Public Acts 248-251 of 2003. A number of technical and clarifying amendments to the 2003 legislation have been proposed.

***THE CONTENT OF THE BILLS:***

Each of the bills would make technical or clarifying amendments to recent legislation regarding the operation of the Michigan Economic Growth Authority. House Bill 5445 would amend the Single Business Tax Act (MCL 208.37c) to correct a reference to a section in the Michigan Economic Growth Authority Act. Senate Bill 824 would amend the Michigan Economic Growth Authority Act (MCL 207.803 and 808) to address 1) employee leasing companies and professional employer organizations; 2) multi-site firms; and 3) the definition of high-technology businesses.

Employee leasing. Senate Bill 824 would specify that, to be eligible for a tax credit, an “authorized business” (i.e., a firm that has entered an agreement for a state tax credit) would not be required to create new jobs or retain jobs if jobs were created or retained instead by an employee leasing company or a professional employer organization that has entered into a contractual service agreement with the authorized business and if, under that agreement, the employee leasing company or professional employer

organization withholds income and social security taxes on behalf of the authorized businesses. The aim of this amendment, generally speaking, is to differentiate more clearly between two cases when a firm could count jobs created or retained by another firm as its own: 1) when created or retained by an associated or affiliated business; and 2) when created or retained by an employee leasing company or professional employer organization.

Multi-site firms. The definition of “facility” in the MEGA act refers to “a site within this state in which an authorized business maintains retained jobs or creates new qualified jobs”. Senate Bill 824 would amend this definition to make it apply to “a site or sites”. This would allow a tax credit to be awarded to a multi-site firm based on jobs created or retained across all sites rather than at a single site.

High-technology businesses. Senate Bill 824 would clarify that the requirement that at least 25 percent of a firm’s total operating expenses be used for research and development for the first three years of a written tax credit agreement only applies to a firm that originally qualified as a high-technology business by virtue of the fact that at least 25 percent of total operating expenses were used for research and development. (There is an alternative way to qualify as a high-technology business, and the bill would make it clear that the research and development expenses criterion would not apply to firms qualifying in that alternative manner.)

***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that House Bill 5445 would have no state or local fiscal impact. (2-3-04)

**ARGUMENTS:**

***For:***

The bills would make several technical and clarifying amendments state economic development officials consider necessary in order to fully implement the MEGA tax credit program. The bills are, essentially, a follow-up to the more comprehensive set of amendments to the MEGA program recently enacted by the legislature.

According to information provided to the House Committee on Commerce, the amendment allowing a firm to meet job creation or retention requirements by using multiple sites rather than a single site could have immediate benefits in western Michigan. One company is planning to acquire another, reportedly distressed, company employing 450 people. This change will allow a MEGA credit considered vital to make this transaction happen.

**POSITIONS:**

The Michigan Economic Development Corporation has indicated support for both bills. (2-4-04)

The Grand Rapids Area Chamber of Commerce has indicated support for the language in Senate Bill 824 that allows job creation or retention requirements to be based on multiple sites. (2-2-04)

Analyst: C. Couch

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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.