



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



BILL ANALYSIS

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

House Bill 5255 (Substitute S-3 as reported)
Sponsor: Representative Daniel J. Acciavatti
House Committee: Commerce
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Michigan Economic Growth Authority (MEGA) Act to expand eligibility for single business tax (SBT) credits that MEGA may offer to eligible businesses (businesses that maintain retained jobs or create qualified new jobs in manufacturing, mining, research and development, wholesale and trade, or office operations, or qualified high-technology businesses); and to make some changes regarding the organization of the Authority. The bill would do the following:

- Specify that MEGA would be within the Michigan Strategic Fund (where it is pursuant to Executive Reorganization Order 1999-1).
- Designate as chairperson of MEGA the Director of the Department of Labor and Economic Growth (LEG).
- Include as a MEGA member the chief executive officer of the Michigan Economic Development Corporation (MEDC), and remove the Director of the Department of Management and Budget.
- Allow MEGA to offer an SBT credit to an eligible business that made \$100 million of capital investment within three years before and two years after becoming an authorized business and agreed to maintain at least 1,500 jobs.
- Allow MEGA to offer an SBT credit to an eligible business that was a "distressed business" (one that had at least 150 jobs four years before application, had at least a 30% reduction of full-time jobs in a three-year period, and was not a seasonal employer); and limit the credits to three years (rather than the usual 20).
- Include in the Act's definition of "authorized business" a business not required to create new jobs or maintain retained jobs, if jobs were created or retained by an associated or affiliated business. (An authorized business is an eligible business with which MEGA has entered into a written agreement for an SBT credit.)
- Allow MEGA to offer an SBT credit to a "rural business" (an eligible business located in a county with a population of 7,500 or less) that would create five qualified new jobs and maintain at least 25 qualified new jobs within five years.
- Revise the number of SBT credits MEGA may award annually, by allowing up to 20 new agreements each year for distressed businesses, including five for businesses that had 1,000 or more full-time jobs four years before application.
- Include tool and die manufacturing in the definition of "high technology activity".
- Encourage authorized businesses to make a good-faith effort to use Michigan-based suppliers and vendors when purchasing goods and services.
- Prohibit MEGA from requiring an eligible business to pay an unreasonable fee or make a donation to the MEDC or a foundation or fund associated with the MEDC.
- Include the names of corporate officers, board members, and partners of authorized businesses, and information pertaining to fees, donations, or other payments from an authorized business to the MEDC or an associated fund or foundation, in the information that must be in MEGA's annual report to the Legislature.
- Delete MEGA's power to promulgate rules.

FISCAL IMPACT

House Bills 5246 and 5255 (S-3) 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 (as House Bill 5246 proposes), House Bill 5255 (S-3) 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.

The Michigan Economic Development Corporation is already providing staff support to the MEGA program; therefore, House Bill 5255 (S-3) would have no fiscal impact on the agency.

Date Completed: 12-17-03

Fiscal Analyst: Jay Wortley
Maria Tyszkiewicz