

Legislative Analysis



MEGA CREDIT FOR RURAL BUSINESS

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Senate Bill 798

Sponsor: Sen. Michelle A. McManus

House Committee: Commerce

Senate Committee: Commerce and Labor

Complete to 10-12-05

A SUMMARY OF SENATE BILL 798 AS PASSED BY THE SENATE 10-11-05

The bill would amend the Michigan Economic Growth Authority Act to authorize MEGA to provide single business tax (SBT) credits to a business that meets the following criteria.

** Maintains 300 retained jobs at a facility.

** Is a rural business (meaning a business located in a county with a population of 80,000 or less).

** Its facility is at risk of being closed, with the result that work would go to a location outside the state.

** Has new management or new ownership proposed that is committed to improve the viability of the facility.

** Needs the tax credits to maintain operations.

This would only apply until December 31, 2006; MEGA could not enter into a written agreement with such a business after that date.

MEGA could enter into one agreement under the terms of the bill that would waive certain requirements of the act that usually apply. This could occur only if the authority considers it to be in the public interest and if the business involved would have met the following requirements within the immediately preceding six months from the signing of the written agreement.

** The expansion, retention, or location of the business will not occur without the tax credits.

** The tax credits are an incentive to expand, retain, or locate the business in Michigan and address the competitive disadvantages with sites outside the state.

** A cost-benefit analysis reveals that authorizing the tax credits will result in an overall positive fiscal impact to the state.

** The expansion, retention, or location of the business will benefit the people of the state by increasing opportunities for employment and by strengthening the economy.

The following requirements would be fully waived: 1) the local governmental unit or a local economic development corporation will make a staff, financial, or economic commitment to the business; 2) the business's financial statements indicate it is financially sound (or has submitted a Chapter 11 bankruptcy plan) and indicate that its plans for the expansion, retention, or location are economically sound; and 3) the business has not begun construction of the facility.

MCL 207.808

FISCAL IMPACT:

The bill will result in an indeterminate reduction in Michigan Single Business Tax revenue.

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