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

Senate Bill 319 (Substitute S-1 as reported)
Sponsor: Senator John Pappageorge
Committee: Commerce and Tourism

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to allow the Michigan Economic Growth Authority (MEGA) to enter into up to three tax credit agreements, rather than one agreement, for the construction of an integrative cell manufacturing facility, and allow MEGA to enter into such an agreement until October 1, 2009, rather than August 1, 2009.

Under a provision enacted by Public Act 580 of 2008, a taxpayer that has entered into an agreement with MEGA may claim an MBT credit equal to 50% of the capital investment expenses for any tax year for the construction of an integrative cell manufacturing facility that includes anode and cathode manufacturing and cell assembly, if the taxpayer will create at least 300 new jobs in Michigan. The Act allows MEGA to enter into one such agreement, with a maximum allowable credit of $25.0 million per year for up to four years. No credit may be claimed in a tax year beginning before 2012, but credits may be based on expenses incurred in Michigan in earlier years. The Authority may not enter into an agreement after August 1, 2009.

Under the bill, MEGA could enter into up to three of these tax-credit agreements until October 1, 2009.

MCL 208.1434 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would expand the MBT credit for construction of an integrative cell (battery) manufacturing facility by increasing the maximum number of credits from one to three, and would have the effect of increasing the maximum credit amount by $200.0 million, from $100.0 million to $300.0 million. As under existing law, not more than $25.0 million could be claimed per year per credit for up to four years, and the 2012 tax year would be the first year these two new credits could be claimed. Therefore, assuming these two new credits would be awarded to taxpayers, this bill would reduce MBT revenue by a maximum of $50.0 million per year beginning with the 2012 tax year and the maximum cost for the life of these two new credits would be $200.0 million. The loss in revenue under this bill would reduce General Fund revenue. The bill would not have any direct impact on local governments.

Date Completed: 3-4-09 Fiscal Analyst: Jay Wortley