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BILL ANALYSIS

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House Bill 4515 (Substitute S-1 as reported)  
Sponsor: Representative Dian Slaven  
House Committee: Tax Policy  
Senate Committee: Commerce and Tourism

### **CONTENT**

The bill would amend the Michigan Business Tax (MBT) Act to do the following:

- 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.
- Allow MEGA to adopt a resolution authorizing such an agreement until October 1, 2009, rather than August 1, 2009.
- Increase from \$70.0 million to \$90.0 million the total MBT credits allowed for expenses for certain vehicle engineering activities.

Under the Act, 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, if the taxpayer will create at least 300 new jobs in Michigan. The Authority may 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.

The Act also allows a taxpayer to claim an MBT credit of up to 75% of the qualified expenses for vehicle engineering in Michigan to support battery integration, prototyping, and launch expenses incurred for tax years that begin on or after January 1, 2009, and end before January 1, 2014. A credit may not exceed \$15.0 million per year, and MEGA may not authorize more than \$70.0 million in total credits to all taxpayers. The bill would increase the total allowable credit amount to \$90.0 million.

The bill is tie-barred to Senate Bill 319, which proposes similar amendments to the MBT Act.

MCL 208.1434

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

As described below, the proposed expansions of these two battery-related credits would reduce MBT revenue by a maximum of \$220 million, which would be spread over several years beginning in 2012. The loss in revenue under this bill would reduce General Fund revenue. The bill would not have any direct impact on local governments.

Vehicle Engineering Credit. The maximum dollar amount for the credit for firms engaged in vehicle engineering to support battery technology would be expanded from \$70.0 million to \$90.0 million. Because this credit is limited to \$15.0 million per year beginning in 2012, this proposed increase would not have a fiscal impact until 2016.

Battery Manufacturing Facility Credit. The bill also would change the credit for construction of an integrative cell (battery) manufacturing facility by increasing the maximum number of credits from one to three and 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 million could be claimed per year per credit and the 2012 tax year would be the first year these two new credits could be claimed, so this proposed change would reduce MBT revenue by a maximum of \$50.0 million per year beginning with the 2012 tax year.

Date Completed: 3-25-09

Fiscal Analyst: Jay Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.