

INCREASE MEGA TAX CREDITS

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House Bill 6606

Sponsor: Rep. Ed Clemente

Committee: New Economy and Quality of Life

Complete to 11-11-08

A SUMMARY OF HOUSE BILL 6606 AS INTRODUCED 11-6-08

House Bill 6606 would amend the Michigan Economic Growth Authority Act

- To expand the number of credits that the MEGA Board may execute annually from the current limit of 400 to a new limit of 500 for eligible businesses that are not qualified high-technology, distressed, or rural businesses, or businesses that occupy historic resource property located in a downtown district.
- To increase the number of written agreements for qualified high-technology or rural businesses from the current annual limit of 50 to a new limit of 60 each year. Under the bill, only 30 of these credits could be for qualified rural businesses (up from 25 currently).

MCL 207.808

FISCAL IMPACT:

House Bill 6606 would reduce the Michigan Business Tax revenue (MBT) by an indeterminate amount. MBT tax revenue is deposited into the state's General Fund. The bill would not have a direct fiscal impact on local units of government.

Michigan Economic Growth Authority (MEGA) tax credits are a refundable tax credit against the Michigan Business Tax (MBT) to companies expanding or relocating their operations in Michigan. Each credit may be awarded for up to 20 years and may equal up to 100 percent of the amount equal to the personal income tax generated by new workers. The MEGA board must approve the tax credits and a local government or a local economic development organization must make a financial or economic commitment to the project.

The bill would reduce the MBT revenue to the General Fund by an indeterminate, and potentially significant, amount. The reduction in revenue would be dependent upon several factors, including the number of additional businesses that are awarded the MEGA tax credit, the level of business activity of these companies, and the total amount of net new credits awarded by the MEGA Board.

According to the MEDC, in FY 2007 there were MEGA projects with 56 companies that provided MEGA annual tax credits ranging from \$166,000 to \$16.5 million. In 2007, these projects reduced the MBT revenue to the General Fund by a total of \$162.7 million. The MEDC estimates that there was a job impact of approximately 13,000 direct jobs associated with the tax credits of these projects

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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.