



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

## BILL ANALYSIS



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

Senate Bill 579 (Substitute S-5 as passed by the Senate)  
Senate Bills 580 and 581 (Substitute S-2 as passed by the Senate)  
Sponsor: Senator Sam Singh (S.B. 579 & 581)  
Senator Mary Cavanagh (S.B. 580)  
Committee: Economic and Community Development

Date Completed: 4-2-24

**RATIONALE**

The Good Jobs for Michigan Program was an economic development tool that sought to create new jobs in the State. It was created in 2017 and sunset in 2019. Some individuals believe that the Program was ultimately successful. According to the Michigan Economic Development Corporation (MEDC), it resulted in six projects, altogether projected to create more than 11,300 jobs with an average hourly wage of \$31.51; however, most of these projects involved large companies, such as Ford Motor Company (3,000 jobs), Stellantis (4,950 jobs), and Pfizer, Inc. (354 jobs). Accordingly, it has been suggested that the Program be reinstated and modified to provide funding to large and small businesses.

**CONTENT**

**Senate Bill 579 (S-5) would add Chapter 8F to the Michigan Strategic Fund Act to do the following:**

- **Require the Michigan Strategic Fund (MSF) to create the High-Wage Incentive for Regional Employment (HIRE) in Michigan Program.**
- **Allow an eligible business to apply to the MSF to enter into a written agreement that authorized the payment of withholding tax capture revenues in exchange for the creation of certified new jobs.**
- **Require each applicant to submit with the application a certified schedule listing all violations of applicable environmental and occupational safety regulations within the three-year period preceding the date of application.**
- **Prescribe the conditions the MSF would have to consider when determining whether to approve an application.**
- **Upon approval of an application, require the MSF to determine the amount and duration of the withholding tax capture revenues, which could not exceed ten years from the date the authorized business created the certified new jobs.**
- **Prescribe requirements of a written agreement.**
- **Prohibit the MSF from committing an annual amount of total withholding tax captures revenues that exceeded \$125.0 million; however, if the amount committed in a calendar year were less, the difference could be committed in subsequent calendar years.**
- **Prescribe timelines that authorized businesses would have to meet for a written agreement to be binding.**
- **Prohibit the MSF from designating an authorized business or entering into a new written agreement eight years after the bill's effective date.**
- **Require the MSF to submit, in its annual report to the Legislature, relevant information related to all written agreements executed under the HIRE in Michigan Program.**

**Senate Bill 580 (S-2) would amend the Michigan Strategic Fund Act to do the following:**

- **Require the MSF to issue a withholdings certificate each calendar year to an authorized business and provide the Department of Treasury with a copy of each certificate issued.**
- **Prescribe the requirements for this certificate.**
- **Create the HIRE Michigan Fund within the State Treasury.**
- **On receipt of a withholdings certificate, allow an authorized business to request a withholding tax capture revenue payment from the Fund by filing a copy of the certificate with the MSF.**
- **Require the MSF to issue a payment from the Fund within 90 days after receipt of a request for payment.**
- **Provide that, if an authorized business failed to satisfy the provisions in a written agreement, that business would forfeit its withholding tax capture revenue payment for that calendar year; however, the authorized business could receive payment for subsequent calendar years if it fulfilled those requirements.**

**Senate Bill 581 (S-2) would amend the Income Tax Act to require an amount equal to the portion of the withholding tax capture revenues attributable to certified new jobs and due to be paid to an authorized business as described in a written agreement to be deposited each State fiscal year into the HIRE Michigan Fund.**

Senate Bill 579 and Senate Bill 580 are tie-barred. Senate Bill 581 is tie-barred to Senate Bill 579 and Senate Bill 580.

#### **Senate Bill 579 (S-5)**

##### HIRE Program

The bill would require the MSF to create the HIRE in Michigan Program. Generally, the MSF could use the Program to authorize the transfer of a dedicated portion of withholding tax capture revenues to authorized businesses that provided certified new jobs in the State.

"Certified new job" would mean a permanent, full-time job created by an authorized business at a facility in the State that is in excess of the number of permanent, full-time jobs that authorized business maintained in the State *before* the expansion or location and the number of permanent, full-time jobs that the authorized business acquired through a merger or acquisition that were located in the State *before* the expansion or location, as determined by the MSF.

"Withholding tax capture revenues" would mean the amount of income tax withheld each calendar year that is attributable to individuals employed within certified new jobs. The State Treasurer would have to develop methods and processes that were necessary for each authorized business to report the amount of withholding from individuals employed within certified new jobs.

The Program would have to be operated and administered by the authorized employees, officers, and agents of the MSF, which could include employees of the MEDC. The MSF or its designees would have to develop Program guidelines and use a detailed application, approval, and compliance process that was published and available on the MSF's website.

Under the bill, an eligible business could apply to the MSF to enter into a written agreement that authorized the payment of withholding tax capture revenues. "Eligible business" would

mean a business other than a retail establishment, professional sports stadium, casino, or that portion of an eligible business used exclusively for retail sales that proposes to create one or more of the following as determined by the MSF:

- A minimum of 250 certified new jobs in the State with an annual wage that is equal to 150% or more of the prosperity region median wage.
- A minimum of 25 certified new jobs in the State with an annual wage that is equal to 175% or more of the prosperity region median wage.
- A minimum of 25 certified new jobs in the State with an annual wage that is equal to 135% or more of the prosperity region median wage and located in a county with a population of 50,000 or less according to the most recent Federal decennial census.

"Prosperity region" would mean each of the 10 prosperity regions identified by the Department of Technology, Management, and Budget on August 25, 2017. "Prosperity region median wage" would mean the median annual wage for the prosperity region where the facility is located based on the most recent data made available by the Michigan Bureau of Labor Market Information and Strategic Initiatives.<sup>1</sup>

#### Program Requirements

After receiving an application, the MSF could enter a written agreement with an eligible business for withholding tax capture revenues if it determined all the following conditions were met:

- The eligible business proposed to create and maintain the minimum number of certified jobs at a facility in the State and to pay an annual wage as described above.
- In addition to the certified jobs, the eligible business agreed to maintain the number of full-time jobs it maintained in the State *before* the expansion as determined by the MSF.
- The plans for the expansion or location were economically sound.
- The expansion or location of the eligible businesses would benefit the people of the State by increasing opportunities for employment and by strengthening the State's economy.
- The withholding tax capture revenues offered under and paid from the HIRE Fund would be an incentive to expand or locate the eligible businesses in the State and address the need for additional assistance for deal closing and second stage company gap financing.
- An industry-recognized regional economic model cost-benefit analysis revealed that the payment of withholding tax capture revenue to an eligible business would result in an overall positive fiscal impact to the State.
- The eligible business would create the required number of certified new jobs within at least five years after entering a written agreement as determined by the MSF.
- The eligible business would maintain the number of certified new jobs throughout the duration of the period that the authorized business received withholding tax capture revenues paid from the HIRE Fund; however, if the authorized business failed to maintain the required number of certified new jobs as provided in the written agreement, the business would forfeit the withholding tax capture revenue for that calendar year.
- The local governing body of the municipality in which the facility was located approved the expansion or new location by resolution.
- The eligible business provided detailed hiring and training plans, including any registered apprenticeships or certifications provided, and agreed to coordinate with local workforce development agencies, including local Michigan Works! agencies, to attract and train, if needed, a qualified workforce.

---

<sup>1</sup> For more information on prosperity regions, see <https://milmi.org/DataSearch/OEWS-Prosperity>.

Each applicant would have to submit with the application a certified schedule listing certain violations within the three-year period immediately preceding the date of application. The MSF could *not* enter into a written agreement with the applicant if the schedule described below or other information available to the MSF indicated that either of the following applied:

- In the three-year period immediately preceding the date of application, the applicant had been issued five or more notices of violation of environmental regulations, or had an administrative consent order or a consent judgment involving environmental regulations that included stipulated penalties, unless the Department of Environment, Great Lakes, and Energy found the applicant had made improvements in operations to come into compliance with the State's environmental regulations, or other demonstrated ability to comply with the State's environmental regulations.
- In the three-year period immediately preceding the date of application, the applicant was subject to a criminal penalty, conviction, or willful or repeated violation under the Michigan Occupational Safety and Health Act, an order issued under that Act, or a rule or standard promulgated under that Act, or was included in the Michigan Occupational Safety and Health Administration's Severe Violator Enforcement Program.

The schedule would have to include any information required by the MSF to comply. For any violation that was not a resolved violation, the schedule would have to include an action plan on resolving the violation. If the schedule or other information available to the MSF indicated that an applicant had an unresolved violation, the MSF could not enter into a written agreement with the applicant unless the applicant submitted evidence, to the satisfaction of the MSF, that there was a sufficient action plan to resolve the violation, or the violation was in the process of being resolved.

#### HIRE Written Agreement

If the MSF determined that an eligible business satisfied all the HIRE in Michigan Program requirements, the MSF would have to determine the amount and duration of the withholding tax capture revenues to be authorized and enter into a written agreement. In determining the maximum amount and duration of the withholding tax capture revenues authorized, the MSF would have to consider the following factors, if applicable:

- The number of certified new jobs to be created.
- The degree to which the median annual wage of the certified new jobs exceeded the prosperity region median wage.
- Whether there was a disadvantage to the eligible business if it were to expand or locate in the State versus a site outside the State.
- The potential impact of the expansion or location on the economy of the State.
- The estimated cost of the reimbursement of withholding tax capture revenues; the staff, financial, or economic assistance provided by the municipality, or local economic development corporation or similar entity; and the value of assistance otherwise provided by the State.
- Whether the expansion or location would occur in the State without the payment of withholding tax capture revenues.
- Whether the eligible business had made a written commitment to fund some portion of costs for applicable training of the individuals who would perform the full-time jobs that led to a professional or technical certification for these individuals.

Additionally, the MSF would have to consider whether the expansion or location of the eligible business would support or enable progress toward the following goals:

- Community enhancement or engagement opportunities.

- Investing in the State's labor and workforce.
- Enacting a workforce plan that included recruitment, hiring, training strategies, and advancement strategies for employees.

In determining the duration of the withholding tax capture revenues, the MSF would have to provide a duration of up to 10 years. The duration of the withholding tax capture revenues could not exceed 10 years, as determined by the MSF, from the date the authorized business created the certified new jobs as provided in the written agreement. In determining the amount of the withholding tax capture revenue payments, the MSF could approve a payment of up to 100% of the withholding tax capture revenues.

A written agreement between an eligible business and the MSF could include all the following:

- A description of the business expansion or location that was the subject of the written agreement.
- Conditions on which the authorized business designation was made.
- A statement from the eligible business that the eligible business would not have added certified new jobs without the withholding tax capture revenue payments authorized.
- An estimate of the amount of withholding tax capture revenues expected to be generated for each calendar year of the duration of the written agreement.
- A statement by the eligible business that a violation of the written agreement could result in the revocation of the designation as an authorized business, the loss or reduction of future withholding tax capture revenue payments, or a repayment of withholding tax capture revenues received.
- A statement by the eligible business that a misrepresentation in the application could result in the revocation of the designation as an authorized business and the repayment of withholding tax capture revenues received plus a penalty equal to 10% of the withholding tax capture revenue payments received.
- A method for measuring and verifying permanent, full-time jobs before and after an expansion or location of an authorized business in the State.
- A provision that the authorized business, for a payment from the HIRE Michigan Fund, would have to file the required returns and reports required by the Act and the Income Tax Act with the Department of Treasury, and would have to provide any other information reasonably requested by the MSF or the Department.
- A maximum amount of withholding tax capture revenues that the authorized business could claim.
- A statement from the eligible business that it would not be in material violation of any laws, ordinances, regulations, rules, orders, judgments, decrees, or other requirements imposed by any governmental authority to which it was subject.
- A provision that to maintain its designation as an eligible business and its eligibility to receive withholding tax capture revenue payments, the eligible business could not commit a violation described above and would have to annually certify to the MSF in the form and manner prescribed by the MSF that the eligible business had complied with this requirement.

On execution of a written agreement, an eligible business would be considered an authorized business. The MSF would have to provide a copy of each written agreement to the Department of Treasury. On execution of the written agreement, the transfer and payment of withholding tax capture revenues would be binding on the State. The State Treasurer would have to calculate, based on the written agreements, the amount of withholding tax capture revenues collected because of the certified new jobs created for each calendar year and the percentage of that amount that would need to be transferred from the General Fund (GF) and deposited into the HIRE Michigan Fund, from which the MSF would have to issue payments to the authorized business.

The MSF could not commit an annual amount of total withholding tax capture revenues that exceeded \$125.0 million.<sup>2</sup> If the amount committed in a calendar year were less than \$125.0 million, the difference would be available to be committed in subsequent calendar years, in addition to the annual limit otherwise applicable. The MSF would have to allocate the annual amount committed among multiple eligible businesses and could not commit the entire amount to a single eligible business.

### Program Timelines

An authorized business whose location or expansion in the State required construction would have to meet the following timeline:

- The authorized business would have to begin construction not later than three years after the written agreement was executed.
- The authorized business would have to complete its first hire of an individual to fill a certified new job not later than two years after the start of construction.
- The authorized business would have to create the certified new jobs as provided in the written agreement and begin receiving withholding tax capture revenues not later than three years after its first hire.

An authorized business whose location or expansion in the State did *not* require construction would have to meet the following timeline:

- The authorized business would have to complete its first hire of an individual to fill a certified new job not later than three years after the written agreement was executed.
- The authorized business would have to create the certified new jobs as provided in the written agreement and begin receiving withholding tax capture revenues not later than three years after its first hire.

If an authorized business failed to meet its applicable timeline, it and the MSF would be released from the written agreement.

The MSF would have to notify an authorized business of an applicable deadline not less than 90 days before the deadline. The MSF would have to extend an applicable deadline for one year if it determined that the authorized business had proceeded in good faith with the location or expansion in the State and there was good cause for the authorized business's delay in meeting the deadline. The MSF could request, and the authorized business would have to provide, any information the MSF considered necessary to make the determination.

The MSF could not designate an authorized business or enter into a new written agreement on or after the date that was eight years after the bill's effective date.

### Reporting Requirements

The Act requires the MSF to transmit to each member of the Legislature, the Governor, the clerk of the House of Representatives, the Secretary of the Senate, and the Senate and House Fiscal Agencies a report of its activities in the immediately preceding fiscal year by April 10 of each year.

Under the bill, the report also would have to include all the following for all written agreements related to the HIRE in Michigan Program:

---

<sup>2</sup> "Total withholding tax capture revenues" would mean the aggregate amount of withholding tax capture revenues that may be distributed to authorized businesses under all written agreements.

- The name of the authorized business.
- The number of certified new jobs required to be maintained.
- The amount and duration of the withholding tax capture revenues.

The MSF also must include in its report this information concerning the Good Jobs in Michigan Program (see **BACKGROUND**). Generally, provisions concerning the HIRE in Michigan Program are similar, but not identical, to those concerning the Good Jobs in Michigan Program.

### **Senate Bill 580 (S-2)**

The bill would require the MSF to issue a withholdings certificate each calendar year to an authorized business that stated the following:

- That the eligible business was an authorized business.
- The amount of withholding tax capture revenues to be paid from the HIRE Michigan Fund for the designated calendar year.
- The authorized business's Federal employer identification number or the Michigan Treasury number assigned to the authorized business.

The MSF would have to provide the Department of Treasury with a copy of each withholdings certificate issued. On receipt of a withholdings certificate, an authorized business could request a payment from the HIRE Michigan Fund by filing a copy of the withholdings certificate with the MSF. The MSF would have to issue the withholding tax capture revenue payment from the HIRE Michigan Fund within 90 days after receipt of the request for payment from the authorized business.

If the authorized business subsequently failed to satisfy and maintain the minimum number of certified new jobs as required or any other conditions included in the written agreement, the authorized business would forfeit its withholding tax capture revenue payment for the calendar year that the authorized business failed to comply with the Act or the written agreement. The forfeiture of a withholding tax capture revenue payment would not extend the duration of the original written agreement. Accordingly, if the duration of the written agreement had not expired, an authorized business that satisfied all the terms of the written agreement after a forfeiture would be entitled to certification for withholding tax capture revenue payments for those subsequent calendar years.

In the event of a proposed reorganization, merger, or other change of ownership of the authorized business for which reimbursement would continue pursuant to a written agreement, the approval of the MSF would be required before the assignment or transfer of the written agreement.

As a condition of being an authorized business, an authorized business would authorize the MSF to identify the authorized business and disclose the amount and duration of the withholding tax capture revenue payments. The MSF would have to publish this information on its website and include this information in the report.

### **HIRE Michigan Fund**

The bill would create the HIRE Michigan Fund in the State Treasury. The State Treasurer would have to deposit money and assets received under the Income Tax Act or from any other source in the HIRE Michigan Fund. The State Treasurer would direct the investment of money in the Fund and credit interest and earnings from the investments to the Fund. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the GF. The MSF would be the administrator of the HIRE Michigan Fund for auditing purposes.

The MSF could spend money from the Fund, on appropriation, only to make withholding tax capture revenue payments in accordance with a written agreement to an authorized business within 90 days after receipt of a request for payment and a copy of the withholding certificate.

### **Senate Bill 581 (S-2)**

Generally, the Income Tax Act requires certain portions of the revenue collected from the income tax to be distributed to different funds. For example, beginning October 1, 2020, and each October 1 thereafter, \$600.0 million of the revenue collected must be deposited into the State Treasury to the credit of the Michigan Transportation Fund.<sup>3</sup> An amount equal to the construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues due to be transmitted under all transformational brownfield plans adopted under the Brownfield Redevelopment Financing Act must be deposited each State fiscal year into the State Brownfield Redevelopment Fund.<sup>4</sup>

In addition to these other distributions, the bill would require an amount equal to the portion of the withholding tax capture revenues attributable to certified new jobs and due to be paid to an authorized business as described in a written agreement entered under the Michigan Strategic Fund Act to be deposited each State fiscal year into the HIRE Michigan Fund.

MCL 125.2009 et al. (S.B. 579)  
125.2090i & 125.2090j (S.B. 580)  
206.51f & 206.711 (S.B. 581)

### **BACKGROUND**

The Good Jobs for Michigan Program was created in 2017 and offered financial support through tax capture withholding for companies that created new jobs in Michigan. The Program authorized the transfer of the dedicated portion of withholding tax capture revenues to businesses that provide certified new jobs in the State. The MSF had to develop and use a detailed application, approval, and compliance process. Eligible businesses were able to apply to the MSF to enter a written agreement that authorized the payment of withholding tax capture if the MSF determined that the business met certain requirements similar to those discussed above.

The MSF's authority to designate an authorized business or enter into a new written agreement ended in December 2019 after the Program's sunset. (Since October 1, 2017, the MSF has approved seven projects and as of Fiscal Year 2022 each had not yet created new jobs nor received a payment for tax capture withholding revenues.<sup>5</sup>)

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

The bills would not only create jobs and improve employment rates but enhance Michiganders' quality of life. By focusing on median wage as a multiplier, the bills incentivize companies to create high-wage, quality jobs for Michiganders and could increase the State's economic competitiveness overall. Additionally, the bills would require the MSF to prioritize agreements with businesses that value environmental sustainability and occupational safety, helping to

---

<sup>3</sup> MCL 206.51d

<sup>4</sup> MCL 206.51e

<sup>5</sup> Michigan Strategic Fund, *Fiscal Year 2021 MSF/MEDC Annual Report to the Legislature*, p. 51, 2022.



ensure the safety of the State's workers and its environment. Overall, the HIRE in Michigan Program would create jobs without sacrificing the State's prosperity and environmental goals.

### **Opposing Argument**

The HIRE in Michigan Program would not benefit Michigan's economy. The Program is based on the Good Jobs for Michigan Program, which was ultimately unsuccessful. Between 2018 and 2019, the Good Jobs for Michigan Program resulted in six projects; however, as of Fiscal Year 2022, none of the 11,300 jobs committed had actually been created.<sup>6</sup> Additionally, offering incentives to companies to relocate and expand in the State may not effectively grow the economy.<sup>7</sup> Instead of reinstating an unsuccessful Program, Michigan should embrace broader economic development policies to improve the State's economic outlook.

### **Opposing Argument**

While the bills may be intended to revive the Good Jobs for Michigan Program and make it more accessible for small and mid-size companies, they add several requirements that would limit the number of companies that could take advantage of it. Instead of using the average wage, the bill would require certified new jobs to be based on the median wage, which may skew towards a higher wage. Increasing the wage threshold to 150% and 175% of the median wage further skews the bills towards companies capable of providing this wage. Additionally, companies would have to fulfill complex requirements to have an application approved by the MSF, which could deter some from relocating or expanding in Michigan. Overall, the complexity and focus on median wage would still prioritize the interests of larger companies.

### **Opposing Argument**

Calculating the median wage based on prosperity regions may increase competitiveness between regions. The median wage for Region 10, which encompasses Wayne, Oakland, and Macomb Counties, is \$23.26, whereas the median wage for Region 3, which contains 11 counties in northeast Michigan, only has a median wage of \$18.14. Region 10 could see a competitive disadvantage as a result. Instead of pitting regions against each other, the bills should focus on improving the State's economy as a whole.

Legislative Analyst: Abby Schneider

## **FISCAL IMPACT**

Over the life of the program created by the bills, the bills would reduce GF revenue by a maximum of \$2.9 billion. The bills would create the HIRE in Michigan Program, which would be funded and operate in a similar, but not identical, fashion to the Good Jobs for Michigan Program. The Good Jobs Program was limited to \$200.0 million in tax capture withholding across all years of tax capture, of which \$188.4 million had already been approved by December 2019. The bills' HIRE in Michigan Program could enter into agreements until eight years after the passage of the bills and would cap the total amount of tax capture withholding at \$125.0 million per year.

Under the bills, tax captures could be approved for up to 10 years, and captures could begin up to three years after the first hire (which would have to occur within two years after the start of construction for those authorized business requiring construction, and within three years of the agreement's execution for businesses not requiring construction). Consequently, the bills could allow captures to begin as early as 2024 and as late as 2037, and result in tax captures which could last as late as 2047. If the maximum of tax capture allowed in any year

---

<sup>6</sup> *Id.*

<sup>7</sup> Wetzell, Holly, "'Good Jobs' Program Produced No Jobs for Michigan", *Mackinac Center for Public Policy*, January 24, 2024.

occurred in all years for which tax captures were possible, the total would reach \$2.9 billion, although the experience of the Good Jobs Program suggests that at least in the early years of the Program created by the bills, the revenue reduction from the tax capture would not reach the maximum limit. While the timing and amount of any specific tax capture would depend on the specific circumstances of the taxpayer and the agreement, all captures would reduce GF revenue. The \$125.0 million annual limit on captures would be a calendar year limit, and it is unknown how those captures would be allocated across fiscal years. As a result, it is impossible to estimate the revenue reduction in any given fiscal year, particularly because the bills would allow carryover amounts that could raise the reduction above the \$125.0 million annual limit.

Indirect benefits to the State or local units of government because of the bills are indeterminate, but possible, in the form of additional local tax revenues and higher wages within the regions where authorized businesses were located.

The bills would not change the existing tax capture withholding agreements already agreed to under the Good Jobs for Michigan Program.

Fiscal Analyst: Michael Siracuse  
David Zin

SAS\S2324\s579a

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.