

# SENATE BILL NO. 557

September 18, 2025, Introduced by Senators WEBBER, KLINEFELT, HUIZENGA and WOJNO  
and referred to Committee on Finance, Insurance, and Consumer Protection.

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.847) by adding sections 279 and 679.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 279. (1) Subject to the limitations under this  
2 subsection, for tax years beginning on and after January 1, 2026  
3 through December 31, 2029, a qualified taxpayer that is located in  
4 an aerospace defense zone or plans to relocate in or expand its  
5 current location in an aerospace defense zone may claim a credit

1 against the tax imposed under this part equal to 30% of the  
2 qualified taxpayer's research and development expenses incurred in  
3 this state during the tax year that are in excess of the base  
4 amount as certified by the Michigan strategic fund. The Michigan  
5 strategic fund shall not approve and certify more than  
6 \$100,000,000.00 in total tax credits under this subsection and  
7 section 679(1) for a single calendar year. The maximum amount of  
8 the credit allowed under this subsection must not exceed  
9 \$10,000,000.00 per tax year per qualified taxpayer. A qualified  
10 taxpayer that claims a credit under this section is not prohibited  
11 from claiming a credit under section 717. However, the taxpayer  
12 shall not claim a credit under this section and section 717 based  
13 on the same research and development expenses.

14 (2) Subject to the limitations under this subsection, for tax  
15 years beginning on and after January 1, 2026 through December 31,  
16 2029, a qualified taxpayer that is located in an aerospace defense  
17 zone or plans to relocate in or expand its current location in an  
18 aerospace defense zone may claim a credit against the tax imposed  
19 under this part equal to 20% of the qualified taxpayer's expenses  
20 incurred during the tax year that are attributable to the storage  
21 and maintenance of the qualified taxpayer's finished goods  
22 inventory. The Michigan strategic fund shall not approve and  
23 certify more than \$25,000,000.00 in total tax credits under this  
24 subsection and section 679(2) for a single calendar year. The  
25 maximum amount of the credit allowed under this subsection must not  
26 exceed \$1,000,000.00 per tax year per qualified taxpayer. For  
27 purposes of this subsection only, qualified taxpayer does not  
28 include a taxpayer designated under subsection (6) (d) (ii) and  
29 includes only a taxpayer designated under subsection (6) (d) (i) that

1 has less than \$5,000,000.00 in annual gross revenue.

2 (3) For a qualified taxpayer who is a member of a flow-through  
3 entity that qualifies for the credit under this section, that  
4 taxpayer may claim a credit against the member's tax liability  
5 under this part based on the member's distributive share of  
6 business income reported from that flow-through entity or an  
7 alternative method approved by the department.

8 (4) A qualified taxpayer shall not claim a credit under this  
9 section unless the Michigan strategic fund has issued a certificate  
10 to the qualified taxpayer. The qualified taxpayer shall attach the  
11 certificate received under section 88v of the Michigan strategic  
12 fund act, 1984 PA 270, MCL 125.2088v, to the annual return filed  
13 under this part on which a credit under this section is claimed.

14 (5) The credit allowed under this section must be claimed  
15 after all other allowable nonrefundable credits under this part. If  
16 the amount of the credit allowed under this section exceeds the tax  
17 liability of the qualified taxpayer for the tax year, that portion  
18 of the credit that exceeds the tax liability of the qualified  
19 taxpayer for the tax year may be refunded or carried forward to  
20 offset tax liability in subsequent tax years or until used up,  
21 whichever occurs first. Amounts carried forward do not affect the  
22 maximum amount of credits that may be claimed in subsequent tax  
23 years.

24 (6) As used in this section:

25 (a) "Aerospace defense zone" means an aerospace defense zone  
26 designated under section 88v of the Michigan strategic fund act,  
27 1984 PA 270, MCL 125.2088v.

28 (b) "Base amount" means the average amount of research and  
29 development expenses incurred in this state for the 3 tax years

1 immediately preceding the tax year for which the credit is being  
2 claimed under this section.

3 (c) "Michigan strategic fund" means the Michigan strategic  
4 fund created under section 5 of the Michigan strategic fund act,  
5 1984 PA 270, MCL 125.2005.

6 (d) "Qualified taxpayer" means a taxpayer that was designated  
7 as a qualified business by the Michigan strategic fund under the  
8 aerospace defense incentive program created under section 88v of  
9 the Michigan strategic fund act, 1984 PA 270, MCL 125.2088v, as  
10 either of the following:

11 (i) A business whose primary business activity is defense  
12 contracting, aerospace defense, aerospace equipment manufacturing,  
13 or other aerospace and defense technology activities.

14 (ii) A business that is a tier 1, tier 2, or tier 3 defense  
15 supplier, aerospace supplier, aerospace defense supplier, or  
16 aerospace defense contractor with less than \$5,000,000.00 in annual  
17 gross revenue.

18 (e) "Research and development expenses" means qualified  
19 research expenses as that term is defined in section 41(b) of the  
20 internal revenue code.

21 Sec. 679. (1) Subject to the limitations under this  
22 subsection, for tax years beginning on and after January 1, 2026  
23 through December 31, 2029, a qualified taxpayer that is located in  
24 an aerospace defense zone or plans to relocate in or expand its  
25 current location in an aerospace defense zone may claim a credit  
26 against the tax imposed under this part equal to 30% of the  
27 qualified taxpayer's research and development expenses incurred in  
28 this state during the tax year that are in excess of the base  
29 amount as certified by the Michigan strategic fund. The Michigan

1 strategic fund shall not approve and certify more than  
2 \$100,000,000.00 in total tax credits under this subsection or  
3 section 279(1) for a single calendar year. The maximum amount of  
4 the credit allowed under this subsection must not exceed  
5 \$10,000,000.00 per tax year per qualified taxpayer. A qualified  
6 taxpayer that claims a credit under this section is not prohibited  
7 from claiming a credit under section 677. However, the taxpayer  
8 shall not claim a credit under this section and section 677 based  
9 on the same research and development expenses.

10 (2) Subject to the limitations under this subsection, for tax  
11 years beginning on and after January 1, 2026 through December 31,  
12 2029, a qualified taxpayer that is located in an aerospace defense  
13 zone or plans to relocate in or expand its current location in an  
14 aerospace defense zone may claim a credit against the tax imposed  
15 under this part equal to 20% of the qualified taxpayer's expenses  
16 incurred during the tax year that are attributable to the storage  
17 and maintenance of the qualified taxpayer's finished goods  
18 inventory. The Michigan strategic fund shall not approve and  
19 certify more than \$25,000,000.00 in total tax credits under this  
20 subsection and section 279(2) for a single calendar year. The  
21 maximum amount of the credit allowed under this subsection must not  
22 exceed \$1,000,000.00 per tax year per qualified taxpayer. For  
23 purposes of this subsection only, qualified taxpayer does not  
24 include a taxpayer designated under subsection (6)(d)(ii) and  
25 includes only a taxpayer designated under subsection (6)(d)(i) that  
26 has less than \$5,000,000.00 in annual gross revenue.

27 (3) A qualified taxpayer shall not claim a credit under this  
28 section unless the Michigan strategic fund has issued a certificate  
29 to the qualified taxpayer. The qualified taxpayer shall attach the

1 certificate received under section 88v of the Michigan strategic  
2 fund act, 1984 PA 270, MCL 125.2088v, to the annual return filed  
3 under this part on which a credit under this section is claimed.

4 (4) The credit allowed under this section must be claimed  
5 after all other allowable nonrefundable credits under this part. If  
6 the amount of the credit allowed under this section exceeds the tax  
7 liability of the qualified taxpayer for the tax year, that portion  
8 of the credit that exceeds the tax liability of the qualified  
9 taxpayer for the tax year may be refunded or carried forward to  
10 offset tax liability in subsequent tax years for 5 years or until  
11 used up, whichever occurs first. Amounts carried forward do not  
12 affect the maximum amount of credits that may be claimed in  
13 subsequent tax years.

14 (5) By July 1 of each year, the department, in cooperation  
15 with the Michigan strategic fund, shall submit to each member of  
16 the legislature, the governor, the clerk of the house of  
17 representatives, the secretary of the senate, and the senate and  
18 house fiscal agencies an annual report concerning the operation and  
19 effectiveness of the tax credits created under this section and  
20 section 279. The report shall include all of the following:

21 (a) A brief assessment of the overall effectiveness of the  
22 aerospace defense incentive program created under section 88v of  
23 the Michigan strategic fund act, 1984 PA 270, MCL 125.2088v, and  
24 the tax credits created under this section and section 279. The  
25 department may use the applicable provisions of the economic  
26 development incentive evaluation prepared under the economic  
27 development incentive evaluation act, 2018 PA 540, MCL 18.1751 to  
28 18.1759, to satisfy this subdivision.

29 (b) The number of businesses applying and filing tentative

1 claims for a tax credit for the immediately preceding calendar  
2 year.

3 (c) The name of each qualified taxpayer submitting claims for  
4 a credit with an annual return and the amount of the tax credit  
5 allowed for the immediately preceding calendar year.

6 (6) As used in this section:

7 (a) "Aerospace defense zone" means an aerospace defense zone  
8 designated under section 88v of the Michigan strategic fund act,  
9 1984 PA 270, MCL 125.2088v.

10 (b) "Base amount" means the average amount of research and  
11 development expenses incurred in this state for the 3 tax years  
12 immediately preceding the tax year for which the credit is being  
13 claimed under this section.

14 (c) "Michigan strategic fund" means the Michigan strategic  
15 fund created under section 5 of the Michigan strategic fund act,  
16 1984 PA 270, MCL 125.2005.

17 (d) "Qualified taxpayer" means a taxpayer that was designated  
18 as a qualified business by the Michigan strategic fund under the  
19 aerospace defense incentive program created under section 88v of  
20 the Michigan strategic fund act, 1984 PA 270, MCL 125.2088v, as  
21 either of the following:

22 (i) A business whose primary business activity is defense  
23 contracting, aerospace defense, aerospace equipment manufacturing,  
24 or other aerospace and defense technology activities.

25 (ii) A business that is a tier 1, tier 2, or tier 3 defense  
26 supplier, aerospace supplier, aerospace defense supplier, or  
27 aerospace defense contractor with less than \$5,000,000.00 in annual  
28 gross revenue.

29 (e) "Research and development expenses" means qualified

1    **research expenses as that term is defined in section 41(b) of the**  
2    **internal revenue code.**

3            Enacting section 1. This amendatory act does not take effect  
4    unless Senate Bill No. \_\_\_\_ (request no. S00386'25) or House Bill  
5    No. \_\_\_\_ (request no. H00386'25) of the 103rd Legislature is  
6    enacted into law.