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Senate Bills 820, 821, and 822 (as reported without amendment)

Sponsor: Senator Jim Barcia (Senate Bill 820)

Senator Valde Garcia (Senate Bill 821)

Senator Alan Sanborn (Senate Bill 822)

Committee: Commerce and Labor

## **CONTENT**

The bills would amend the Single Business Tax (SBT) Act to extend to December 31, 2009, the ability of the Michigan Economic Growth Authority (MEGA) to award certain tax credits; and require the Department of Treasury to audit taxpayers claiming a MEGA-awarded credit in order to verify that the actual number of jobs created or retained was the same as the number used to calculate the credit. Senate Bills 820 and 822 are tie-barred to Senate Bill 824, which would amend the Michigan Economic Growth Authority Act.

Section 37d of the Single Business Tax Act allows an authorized business to claim a business activity credit against the SBT in an amount equal to its tax liability attributable to authorized business activity for tax years beginning after 1994, and for up to 20 years plus any carryforward years allowed under the Act, if MEGA has issued a certificate to the taxpayer.

Under Section 37c, an authorized business may claim a payroll credit against the SBT in an amount certified each year by MEGA. Section 38g allows an eligible taxpayer to claim a job retention credit against the SBT in an amount certified each year by MEGA for tax years that begin after 1999, for a period not to exceed 20 years as determined by MEGA.

Under each of these sections, a taxpayer may not claim the credit if MEGA issues the taxpayer's initial certification after December 31, 2003. Senate Bills 820, 821, and 822 would amend Sections 37d, 37c, and 38g, respectively, to allow a taxpayer to claim the credit if MEGA issued the initial certification by December 31, 2009.

Senate Bills 821 and 822 also would require the Department of Treasury to audit the taxpayer each year to verify that the actual number of new jobs created was the same as the number of new jobs used to calculate the payroll credit claimed for the tax year.

MCL 208.37d (S.B. 820)

208.37c (S.B. 821)

208.38g (S.B. 822)

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bills would reduce State tax revenues by an unknown and potentially significant amount, depending upon how many additional credits would be awarded, the size of the credits, the purposes for which the credits were awarded, the tax liability of those receiving the credits, and whether or not the economic activity related to the credits would have occurred absent the credits.

This estimate is preliminary and will be revised as new information becomes available.

Date Completed: 11-6-03

Fiscal Analyst: David Zin

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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.