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BILL ANALYSIS

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Senate Bill 387 (as enrolled)
Sponsor: Senator Bruce Patterson
Senate Committee: Commerce and Labor
House Committee: Tax Policy

PUBLIC ACT 472 of 2006

Date Completed: 1-4-07

CONTENT

The bill amended the Single Business Tax (SBT) Act to do both of the following:

- **Allow a taxpayer to receive a tax credit for 3.9% of the compensation paid for services performed for hybrid vehicle research and development at a facility in Troy, if the taxpayer enters into an agreement with the Michigan Economic Growth Authority (MEGA) by April 1, 2007.**
- **Repeal Section 32 of the Act, which allowed such an SBT credit if the taxpayer entered into an agreement with MEGA by January 1, 2007.**

-- Any other terms and conditions that MEGA considers to be in the public interest.

If the credit allowed under the bill exceeds the taxpayer's tax liability for the tax year, the portion exceeding the tax liability is refundable. The maximum amount of the credit that any one taxpayer may claim is \$3.0 million in a single year.

"Qualified technology" means a hybrid system whose primary purpose is the propulsion of a motor vehicle. "Qualified facility" means a leased facility in a "qualified city" used for the research and development of a qualified technology.

The bill took effect on December 20, 2006.

"Qualified city" means a city that has a population of not less than 80,000 and not more than 82,000, as designated by the U.S. Bureau of the Census in the 2000 census, that is located in a county with a population of not less than 1 million and not more than 1.3 million, as designated in that census. (The City of Troy, in Oakland County, is the only city that meets those criteria.)

SBT Credit

Under the bill, for tax years beginning on or after January 1, 2006, and ending before January 1, 2016, a taxpayer engaged in research and development of a "qualified technology" may claim an SBT credit equal to 3.9% of the compensation for services performed in a "qualified facility", paid to the employees at the qualified facility in the tax year, if the taxpayer has entered into an agreement with MEGA before April 1, 2007. The agreement must provide all of the following:

Repeal

Public Act 323 of 2006 added Section 32 to the SBT Act to authorize the tax credit for hybrid vehicle research and development, if the taxpayer reached an agreement with MEGA by January 1, 2007. The bill repealed that section.

- The type and number of jobs at the qualified facility to which the agreement applies.
- The type of work to be performed by the employees performing those jobs.

MCL 208.34

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

This bill is designed to provide a tax credit to a new joint venture by General Motors, DaimlerChrysler, and BMW called the Hybrid Development Center, which is located in Troy. The tax credit will reduce single business tax revenue an estimated \$2.5 million. All of this loss in revenue will affect the General Fund/General Purpose budget. This bill will have no direct impact on local government.

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.