

Legislative Analysis



MBT CREDITS FOR ANCHOR COMPANIES

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House Bill 6238

Sponsor: Rep. Ed Clemente

Committee: New Economy and Quality of Life

Complete to 9-17-08

A SUMMARY OF HOUSE BILL 6238 AS INTRODUCED 6-12-08

House Bill 6238 would amend the Michigan Business Tax to revise the recently enacted tax credits for anchor companies. Under the law, an "anchor company" means a qualified high-technology business that is an integral part of a high-technology activity and that has the ability or potential ability to influence business decisions and site location of qualified suppliers and customers. Generally speaking, an anchor company is a company whose existence attracts or influences suppliers or customers in the state to expand.

Currently under the law, the Michigan Economic Growth Authority (MEGA) may designate up to five taxpayers as anchor companies in each calendar year, and may approve up to five new tax credits. A qualified taxpayer may claim a credit against the Michigan Business Tax equal to the sum of up to five percent of the taxable value of each qualified supplier's or customer's taxable property that is located within a 10-mile radius of the taxpayer's property, for a period of up to five years. (If the qualified supplier or customer's taxable property is subject to a specific tax, then the credit against the Michigan Business Tax is equal to 2.5 percent of the taxable value of that property.)

A taxpayer has five years from the date of designation as an anchor company to seek certification for each qualified supplier or customer for which a credit is sought. House Bill 6238 would retain these provisions. However, the bill specifies that a credit shall not be provided for a tax year prior to the tax year during which the designation as an anchor company was made. Further, if a qualified taxpayer were awarded a credit, then any subsequent credits awarded to that taxpayer would not be included in determining the yearly limit of five new credits.

House Bill 6238 also specifies that MEGA could allow qualified "sales to a qualified supplier or customer" to be excluded when an anchor company calculates the sales factor under the Michigan Business Tax for the tax year for which a credit was provided. Under the bill, "qualified sales to a qualified supplier or customer" is defined to mean sales to a qualified supplier or customer that are in excess of the Michigan sales to the supplier or customer prior to the year of expansion or location within Michigan, as determined by MEGA, and that would otherwise be included in the calculation of the sales factor under the Michigan Business Tax.

The bill modifies the definition of "qualified supplier or customer" to mean a business that opens a new location in this state, a business that locates in this state, or an existing

business located in this state that expands its business within the last year, as a result of an anchor company and satisfies *prior to the issuance of a certificate and at the time specified in the agreement with the qualified taxpayer*, as certified by the Michigan Economic Growth Authority, each of the following: (1) has financial transactions with the anchor company; (2) sells a critical or unique component or technology necessary for the anchor company to market a finished product *as the result of a commercial relationship with the anchor company* or buys a critical or unique component from the anchor company; (3) has created more than 10 qualified new jobs; and (4) has made an investment of at least \$1 million as certified by the MEGA. (The new provisions are in italics.)

The bill specifies that a credit may be taken after all other allowable non-refundable credits under the Michigan Business Tax.

MCL 208.1431c

FISCAL IMPACT:

As written, the bill would reduce the Michigan Business Tax (MBT) revenue by an unknown amount. All revenue from the MBT accrues to the General Fund.

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