

## ANNUAL DOLLAR CAP ON MEGA CREDITS

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**Senate Bill 774 (Substitute H-1)**

**Sponsor: Sen. Nancy Cassis**

**House Committee: New Economy and Quality of Life**

**Senate Committee: Finance**

**Complete to 9-29-09**

## A SUMMARY OF SENATE BILL 774 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend Section 431 of the Michigan Business Tax Act, which allows the Michigan Economic Growth Authority (MEGA) to award multi-year refundable tax credits to firms that meet statutory criteria. Under Senate Bill 774, there would be a new limit imposed on the number of credits that could be claimed each year.

For the 2010 calendar year and each subsequent year, the total amount of credits allowed to be claimed in the first year of all agreements could not exceed the sum of the total amount of credits claimed during the immediately preceding calendar year plus \$95 million. (This limitation applies to credits available under Section 431. Other sections of the MBT Act also offer credits, some of which also require MEGA involvement.)

Senate Bill 774 is tie-barred to the following three bills, meaning it cannot take effect unless they are also enacted:

Senate Bill 70, which amends the Revenue Act to require the State Treasurer to divulge certain specified information about the Michigan Business Tax Act to the chairs of the standing committees in the Senate and House of Representatives with jurisdiction over matters relating to taxation and finance, and to the directors of the Senate and House Fiscal Agencies. *(This bill is on the House floor.)*

Senate Bill 71, which expands the amount of information on job creation and capital investment that must be included in MEGA's annual report to the Legislature. *(This bill is on the House floor.)*

House Bill 4922, which increases from 400 to 500 the number of yearly credits that can be entered into for businesses that are not qualified high-technology businesses, distressed businesses, rural businesses, or historic resource businesses. (Note: If a business in this category is awarded a credit for 20 years, that would be considered 20 yearly credits rather than one credit.) The bill also increases from 50 to 75 the number of new written agreements each year for qualified high-technology businesses or rural businesses. Only 35 of those (rather than 25 currently) could be for rural businesses. *(This bill has passed the House and is in the Senate Finance Committee.)*

**FISCAL IMPACT:**

Senate Bill 774 limits the growth in credits awarded under Section 431 of the Michigan Business Tax Act to approximately \$95 million per year. MBT revenues accrue primarily to the General Fund.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.