

Legislative Analysis



MBT CREDIT: LARGE SCALE BATTERY FACILITY

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Senate Bill 777 as passed by the Senate

Sponsor: Sen. Tony Stamas

Senate Committee: Commerce and Tourism

House Committee: New Economy and Quality of Life

Complete to 9-24-09

A SUMMARY OF SENATE BILL 777 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend a section of the Michigan Business Tax Act (MCL 208.1434) that provides tax credits related to the development and application of advanced battery technology. It would allow for an additional credit to be awarded by the Michigan Economic Growth Authority for the construction of a facility that will produce large scale batteries and manufacture integrated power management, smart control, and storage systems from 500 kilowatts to 100 megawatts. The credit would be equal to 25 percent of the capital investment expenses for any tax year.

The bill applies to a firm that will create at least 500 new jobs in Michigan and that receives federal loan guarantees from the U.S. Department of Energy.

There could be only one such credit agreement; the credit could be for up to \$25 million per year for four years, and no credit could be claimed before 2012. The Michigan Economic Growth Authority could not adopt a resolution authorizing and agreement for the credit after March 1, 2010.

The agreement between MEGA and the taxpayer for this credit would have to include, among other things, the location and estimated total cost of the facility, the capital investment, the annual and total amount of the credits that could be claimed, the minimum number of new jobs needed to qualify for the credit, and a repayment provision in case the taxpayer fails to meet the requirements of the agreement. The repayment provision could provide for the termination or reduction of the credit or could allow a percentage of the credit claimed to be added back to the firm's tax liability.

FISCAL IMPACT:

This bill provides for a Michigan Business Tax credit of up to \$25.0 million per year for four years. The credit would begin with the 2012 tax year. The fiscal impact of this bill would affect General Fund/General Purpose revenue. This bill would have no direct impact on local units of government.

BACKGROUND INFORMATION:

The tax credit envisioned in this bill is for the renewable energy park proposed for development at the site of the Ford Wixom Plant. Under this proposal, according to

promotional material, Ford is to sell the site to Xtreme Power and Clairvoyant Energy, which will form a new firm to serve as the anchor for the site. The new company "will develop the site, progressively co-locating suppliers and other manufacturers on the 320-acre site utilizing 4.7 million square feet of plant space. Production by the anchor manufacturers is planned to commence in the fall 2011." The aim, say developers, is to "create the 'Nation's Destination Site' for Renewable Energy Products." Developers anticipate an investment of \$725 million and the creation of "2,500 direct jobs and 10,000 supplier jobs, with at least 1,500 co-located or nearby-- a minimum of 4,000 jobs in the Wixom area."

Promotional material provided to the House Committee on New Economy and Quality of Life describes Xtreme Power as a builder of large-scale power systems and Clairvoyant Energy as a global renewable energy project developer involved in the manufacture of, among other things, solar panels. The developers say that the Wixom site will be cited in their application to the federal Department of Energy for loan guarantees for the project. The incentives being discussed for this project, in addition to the MEGA SBT credit in this bill, include brownfield credits, renaissance zone designation, and anchor tenant status.

A similar bill, House Bill 5275, has already passed the House.

POSITIONS:

Indicating support for Senate Bill 777 to the House Committee on New Economy and Quality of Life were the Michigan Economic Development Corporation (MEDC), Ford Motors, and Extreme Power. (9-23-09)

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