Legislative Analysis

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AUTO SUPPLIER MEGA CREDIT

House Bill 4126 (Proposed Committee Substitute)
Sponsor: Rep. Richard LeBlanc
Committee: Tax Policy

Complete to 3-24-09

A SUMMARY OF A PROPOSED SUBSTITUTE FOR HOUSE BILL 4126

The proposed substitute for House Bill 4126 would amend the Michigan Business Tax Act to provide a credit against the MBT to automotive suppliers that have previously received a credit authorized by the Michigan Economic Growth Authority (MEGA) under Section 8(9) of the Michigan Economic Growth Authority Act and Section 431(1)(d) of the MBT Act. Essentially, the credit provided under the bill would permit taxpayers to take all of the previously granted MEGA credits for future years up front, in a single tax year that ends prior to January 1, 2011.

The bill specifies that the total amount of credits claimed for all years could not exceed $200 million.

To receive the credit, the business would have to be "likely to retain the jobs" specified in the original agreement and have to be "likely to retain long term viability in this state as measured by its continuing relation with original equipment manufacturers or, where applicable, tier one automotive suppliers."

Under the bill, a taxpayer that claims the credit but subsequently fails to meet statutory requirements or other conditions in the agreement could have its credit reduced or terminated or could have a percentage of a credit previously claimed added back to its tax liability.

Section 8(9) of the Michigan Economic Growth Authority Act authorizes MEGA to enter into a written agreement with a taxpayer to provide the taxpayer with a credit against the MBT, as provided in Section 431(1)(d) of the MBT Act, if the taxpayer agrees to the following conditions:

(1) Retains at least 50 jobs;

(2) Invests at a facility - through construction, acquisition, transfer, purchase, contract, or another method as determined by MEGA - equal to at least $50,000 per retained job maintained at the facility;

(3) Certifies that, without the credits and without new capital investment, the facility is at risk of closing and the work and jobs would be relocated outside of Michigan.

(4) Certifies that the business intends to improve its competitiveness through improved management, implementation of "best practices," including lean manufacturing principles, and market diversification.

(5) Certifies that the business will work to keep jobs in Michigan when making plant location and closing decisions.

(6) Certifies that employees of the facility will strive to improve productivity and profitability.

Section 431(1)(d) of the MBT Act provides a credit equal to the tax rate multiplied by the result of the following expression:

$$\frac{\text{Capital Investment x Payroll and health care costs of retained jobs}}{\text{Number of jobs retained x \$100,000}}$$

FISCAL IMPACT:

This bill would reduce MBT revenue by not more than $200 million. All of this reduction would affect General Fund/General Purpose revenue. This bill would have no direct affect on local units of government.

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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.