



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 466 (Substitute S-1 as reported)
Sponsor: Senator Wayne Kuipers
Committee: Commerce and Tourism

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to allow the Michigan Economic Growth Authority (MEGA) to enter into a maximum of four, rather than three, tax credit agreements for the construction of an integrative cell manufacturing facility. The bill also would increase from \$90.0 million to \$135.0 million the maximum amount that MEGA may authorize in total credits to all taxpayers for qualified expenses for vehicle engineering in Michigan to support battery integration, prototyping, and launch expenses.

Under the Act, a taxpayer that has entered into an agreement with MEGA may claim an MBT credit equal to 50% of the capital investment expenses for any tax year for the construction of an integrative cell manufacturing facility that includes anode and cathode manufacturing and cell assembly, if the taxpayer will create at least 300 new jobs in Michigan. The Authority may enter into not more than three such agreements, each with a maximum allowable credit of \$25.0 million per year for up to four years. No credit may be claimed in a tax year beginning before 2012, but credits may be based on expenses incurred in Michigan in earlier years. The Authority may not enter into an agreement after October 1, 2009. Under the bill, MEGA could enter into up to four of these agreements until that date.

In addition, the Act allows a taxpayer to claim a credit of up to 75% of the qualified expenses for vehicle engineering in Michigan to support battery integration, prototyping, and launch expenses incurred for tax years that begin on or after January 1, 2009, and end before January 1, 2014. A credit may not exceed \$15.0 million per year, and MEGA may not authorize more than \$90.0 million in total credits to all taxpayers. The bill would increase the total allowable amount of these credits to \$135.0 million.

MCL 208.1434

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would expand two of the MBT credits related to the development and application of advanced battery technology. As described below, the proposed expansions of these two battery-related credits would reduce MBT revenue by a maximum of \$145.0 million, which would be spread over several years beginning in 2012. The loss in revenue under this bill would reduce General Fund revenue. The bill would not have any direct impact on local governments.

Vehicle Engineering Credit. The maximum dollar amount for the credit for firms engaged in vehicle engineering to support battery technology would be increased by \$45.0 million, from \$90.0 million to \$135.0 million. Because this credit is limited to \$15.0 million per year beginning in 2012, this proposed increase would not have a fiscal impact until 2018.

Battery Manufacturing Facility Credit. The bill would change the existing credit for construction of an integrative cell (battery) manufacturing facility by increasing the maximum number of credits by one, from three to four. The bill would not change the current law provisions that not more than \$25.0 million may be claimed per year per credit for not more than four years, and that the 2012 tax year is the first year any of these credits may be claimed. As a result, this proposed additional credit would reduce MBT revenue by a maximum of \$25.0 million per year beginning with the 2012 tax year and the maximum revenue loss through the 2015 tax year or later would be \$100.0 million.

Date Completed: 4-29-09

Fiscal Analyst: Jay Wortley

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