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Senate Bill 539 (as introduced 5-5-09) Sponsor: Senator Randy Richardville Committee: Commerce and Tourism

Date Completed: 5-5-09

CONTENT

The bill would amend the Michigan Business Tax (MBT) Act to do all of the following:

- -- Require the Michigan Film Office and the State Treasurer, when determining whether to enter into an agreement for an MBT credit for a qualified film and digital media infrastructure project, to give preference to a taxpayer that agreed to hire or contract for only Michigan residents or individuals who planned to become Michigan residents, except under certain circumstances.
- -- Require an agreement for a qualified film and digital media infrastructure project MBT credit to include a requirement that the taxpayer would not hire or contract for individuals who were not authorized under Federal law to work in the United States.
- -- Require the Film Office and the Treasurer to report annually to the board of the Michigan Strategic Fund (MSF) information relating to Michigan residents employed in jobs created by qualified film and digital media infrastructure projects.

The Act allows the Michigan Film Office, with the concurrence of the State Treasurer, to enter into an agreement with a taxpayer for an MBT credit for an investment in a qualified film and digital media infrastructure project. The Act specifies certain requirements, including investment amounts, for a taxpayer to qualify for the credit and requires the Film Office and the Treasurer to consider certain factors in determining whether to enter in an agreement.

Under the bill, beginning July 1, 2009, if all other considerations were equal, the Film Office and the Treasurer would have to give preference to a taxpayer that agreed, in writing, to hire only Michigan residents or individuals who planned on becoming Michigan residents to construct, rehabilitate, develop, or renovate a qualified film and digital media infrastructure project, unless the Office and Treasurer determined that the project could not be completed by using only those people for one or more of the following:

- -- To the extent necessary to comply with Federal law or regulation concerning the use of Federal funds.
- -- To the extent that key management personnel or individuals with special skills, who were not Michigan residents, were needed.
- -- For qualified film and digital media infrastructure projects located in a county that borders on another state, it was determined that the use of nonresidents for the

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construction, rehabilitation, development, or renovation would not have a significant adverse effect on the employment of Michigan residents.

The Film Office and State Treasurer also would have to give preference to a taxpayer that agreed, in writing, to contract with businesses that agreed to hire only Michigan residents or individuals who planned on becoming Michigan residents to construct, rehabilitate, develop, or renovate a qualified film and digital media infrastructure project, unless the Office and Treasurer determined that the project could not be completed by using only those people under one or more of the circumstances described above.

In addition, beginning July 1, 2009, an agreement would have to include a requirement that the taxpayer would not knowingly hire or contract with any business entity that knowingly hired an individual who was not authorized under Federal law to work in the U.S.

The bill also would require the Michigan Film Office to submit a report to the MSF board by March 1 of each year, beginning in 2011, regarding agreements for an MBT credit for an investment in a qualified film and digital media infrastructure project entered into on and after July 1, 2009. The report would have to include all of the following:

- -- The number of Michigan residents employed in jobs created by the construction, rehabilitation, development, or renovation of qualified film and digital media infrastructure projects in the immediately preceding year.
- -- The total number of jobs created by the construction, rehabilitation, development, or renovation of qualified film and digital media infrastructure projects in the immediately preceding year.
- -- The specific reasons for each determination of exemption from hiring Michigan residents, or those who planned to become Michigan residents, made by the Office and the Treasurer and the number of jobs related to each determination.

MCL 208.1457 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would increase the administrative costs of the Michigan Film Office within the Michigan Strategic Fund by an unknown amount due to the additional eligibility determinations and reports that would be required by the bill. The amount of additional costs would depend on the number of applications for film and digital media infrastructure projects. The year-to-date appropriation for the Michigan Film Office is \$731,600 in FY 2008-09, consisting of \$181,600 GF/GP and \$550,000 in restricted revenue from credit application and redemption fees.

Fiscal Analyst: Elizabeth Pratt Maria Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.