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SFA**BILL ANALYSIS**

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Senate Bill 1319 (as introduced 5-9-02)
Sponsor: Senator Joanne G. Emmons
Committee: Finance

Date Completed: 5-14-02

CONTENT

The bill would amend the Michigan Economic Growth Authority Act to revise the criteria by which a qualified high-technology business may obtain a tax credit under the Act.

The Act allows the Michigan Economic Growth Authority (MEGA) to enter an agreement with an eligible business to allow it to claim various tax credits under the Single Business Tax Act. The MEGA Act contains a list of criteria that an eligible business must meet. Among other things, if the eligible business is a "qualified high-technology business", it must agree that not less than 25% of its total operating expenses will be maintained for research and development for the first three years of the written agreement. The bill would delete this requirement.

Currently, "qualified high-technology business" is defined as a business with at least 25% of its total operating expenses used for research and development in the tax year in which it files an application under the Act, as determined under generally accepted accounting principles and verified by MEGA; and whose primary business activity is high-technology activity. The bill would delete the first criterion, and instead define "qualified high-technology business" as a business whose primary business activity was high-technology activity.

Further, to enter into an agreement, an eligible business, if already located in Michigan, must agree to maintain a number of full-time jobs equal to or greater than the number of full-time jobs it maintained in the State prior to expansion. The bill provides that an eligible business would have to agree to maintain a number of full-time jobs equal to or greater than the number of full-time jobs it maintained in the State *or*, at MEGA's discretion, the number of full-time jobs it maintained at the facility, prior to expansion.

MCL 207.803 et al.

Legislative Analyst: George Towne

FISCAL IMPACT

This bill would broaden the definition of high-technology business activity that may qualify for tax credits granted by the Michigan Economic Growth Authority; however, it is not possible to make a reasonable estimate of the fiscal impact of this proposed change at this time because there is no way to know: 1) how many new businesses would actually receive tax credits because of this broader definition of high technology, 2) the size of the business activity on which the tax credits would be calculated, and 3) whether the high-technology activity would occur in Michigan without the tax credits.

The bill would have no fiscal impact on the Michigan Strategic Fund.

Fiscal Analyst: Jay Wortley
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