

Governor Granholm Signs Amendments to MEGA Credit Act

July 1, 2006

The Michigan Economic Growth Authority Board (MEGA) may enter into a limited number of agreements that grant substantial single business tax (SBT) credits to companies that bring new jobs into Michigan. The typical agreement establishes a base employment figure equal to the number of employees of the taxpayer's company in Michigan, generally defined as including all issuers using the same FEIN number, before the project. A company may qualify for a credit only if a certain minimum number of jobs are created, and the credit is ultimately based on the number of jobs in excess of the base employment figure.

There was some concern for what should occur if a taxpayer has more than one business in Michigan, increases employment as anticipated but then sells a business as to also reduce its total Michigan employment. When the buyer of the taxpayer's business plans to operate the business in Michigan, the State has still received all the benefit it bargained for, yet the MEDC staff has been concerned that it may not be able to amend the base employment figures in agreements to assure continuation of a credit when a business is sold. There was also concern with the limit placed on the number of credits that could be granted and the threshold amounts of new employment, which were required.

On July 10, 2006, Governor Granholm signed enrolled Senate Bill 802, which has become 2006 PA No. 283, which allows MEGA to reduce the base employee figure when a business is sold and also addresses other concerns with the MEGA Act legislation.

The new legislation:

- Allows MEGA to reduce the number of full-time jobs required in an agreement with a business for an SBT credit in order to adjust for decreases in the business's full-time jobs in Michigan due to the divestiture of operations, if another single employer continued to maintain those jobs. MEGA could not approve a reduction unless it could monitor the maintenance of jobs by the other employer.
- Increases from 25 to 35 the number of new written agreements that MEGA may execute each year for SBT credits for eligible businesses that are not qualified ghtechnology businesses, distressed businesses, or rural businesses.
- Decreases the general standard for the minimum number of new jobs that must be created or maintained from 75 to 50 for a facility expanding in the state and from 150 to 100 for a facility locating in the state. (Separate minimum job requirements apply for certain kinds of businesses based on location or the nature of the operation; for example, high-tech and rural business have lower minimum job requirements.)
- Authorizes MEGA to enter into a written agreement to provide SBT credits to an eligible business that was located in Michigan on the date of application, maintained at least 675 retained jobs at a facility, agreed to create 400 new jobs,

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and agreed to make a new capital investment of at least \$45 million to be completed or contracted for not later than December 1, 2007.

- Reduces the average wage requirement for high-technology businesses from 400 percent to 300 percent of the federal minimum wage.
- Revises a provision added by Public Act 185 of 2005 that allows a credit to be issued to a facility at risk of being closed with the result that work would go out of state. The provision requires that 300 jobs be retained and that the business be a rural business (among other requirements). The requirement that the firm be a rural business would be deleted. Such a credit currently can only be awarded through 2006. The bill would extend the date to December 31, 2007. Also, one of the credit agreements under this provision currently can be issued without regard to certain standard requirements in defined circumstances; the bill would allow two credits to be so issued.
- Revises the definition of "qualified new job" to refer to a full-time job created by an eligible business that exceeds the lowest number of full-time jobs maintained by that business in Michigan in the immediately preceding 120 days before it became an authorized business. (The underlined words are added by the bill.)