

Michigan Economic Growth Authority Credit

Under the Michigan Economic Growth Authority Act, tax credits are allowed for:

- (1) Creation of new jobs
 - A. Created Jobs Credit
 - B. MEGA Employment Tax Credit
- (2) New capital investment
 - A. MEGA Business Activity Credit
 - B. MEGA Credit for New Capital Investment
- (3) Distressed businesses adding jobs
 - A. MEGA Credit for Distressed Businesses

Created Jobs Credit

Effective for tax years that start after December 31, 2004 and before January 1, 2006, a credit is allowed for taxpayers with specified gross receipts for a specified percentage of compensation paid by the taxpayer to employees who perform "created jobs." The credit is limited to taxpayers with gross receipts of \$10 million or less for a tax year. (MCL 208.37f(1))

MEGA Employment Tax Credit

A taxpayer that is an authorized business can claim a credit against the Single Business Tax, based on the incremental Single Business Tax liability attributable to an expansion or new location, and the amount of personal income tax attributable to new jobs being created, equal to the amount certified each year by the Michigan Economic Growth Authority (MEGA). The credit applies for tax years starting after December 31, 1994 and for a time period not to exceed 20 years, as determined by MEGA. No credit is allowed if the taxpayer's initial certification is issued after December 31, 2009. (MCL 208.37c(9))

The credit is limited to the payroll (total salaries before reduction for personal exemptions) of the authorized business attributable to employees who perform qualified new jobs multiplied by the appropriate personal income tax rate. (MCL 208.37c (2))

The credit cannot be claimed unless MEGA has issued a certificate to the taxpayer, which must be attached to return. The credit amount, federal employer ID number or Michigan treasury number and the fact that the taxpayer is an authorized business must be shown on the certificate. (MCL 208.37c(4)) If the credit allowed exceeds the taxpayer's tax liability for the year, then the excess is refunded to the taxpayer. (MCL 208.37c(5))

If a taxpayer claims a MEGA employment credit or a MEGA business activity credit has an agreement with MEGA based on qualified new jobs and then removes from Michigan 51% or more of those qualified new jobs within three years after the first year in which the taxpayer claims a credit must pay to the Department an amount equal to the total of all credits that were claimed by the taxpayer. The payment is due no later than 12 months after those qualified new jobs are removed from Michigan. (MCL 208.37c(6))

An affiliated group, a controlled group of corporations or any entity under common control can claim only one credit for each expansion or location evidenced by a written agreement whether or not a combined or consolidated return is filed. (MCL 208.37c(8))

MEGA can require a taxpayer to provide a statement prepared by a certified public accountant verifying the actual number of new jobs created is the same number of new jobs used to calculate the credit. This statement must be attached to the taxpayer's annual return. (MCL 208.37c(7))

No credit is allowed if the taxpayer's initial certification is issued after December 31, 2009. (MCL 208.37c(9))

MEGA Business Activities Credit

A taxpayer that is an authorized business can claim a Single Business Tax credit equal to the tax liability attributable to authorized business activity. An authorized business activity is a business activity of authorized business certified under the Michigan Economic Growth Authority Act. The credit applies for tax years starting after December 31, 1994 and for a time period not to exceed 20 years, as determined by the Michigan Economic Growth Authority (MEGA), plus any allowable carryforward years. No credit is allowed unless MEGA has issued a certificate to the taxpayer and the taxpayer has attached the certificate to its return. (MCL 208.37d(7))

The tax liability attributable to authorized business activity is the Single Business Tax liability, after the small business credit, the unincorporated business and S corporation credit, the charitable contribution credit, and the public utility property tax credit are calculated, multiplied by one of the following fractions:

(1) For an authorized business locating a facility in Michigan, the numerator is the ratio of the value of the facility to all of the taxpayer's property in Michigan plus the ratio of taxpayer's payroll attributable to qualified new jobs to the taxpayer's entire Michigan payroll.

The denominator is two.

(MCL 208.37d(4))

(2) For an authorized business expanding at an existing site, numerator is ratio of the value of the new property added to the site as part of that expansion to all of taxpayer's Michigan property plus the ratio of taxpayer's payroll attributable to qualified new jobs to the taxpayer's entire payroll in Michigan.

The denominator is two.
(MCL 208.37d(4))

If the credit allowed plus any unused credit carryforward exceeds the taxpayer's tax liability for the year, the excess will not be refunded, but can be carried forward to offset tax liability in later tax years until used up (for up to 10 years). No credit is allowed if taxpayer's initial certification is issued after December 31, 2009. (MCL 208.37d(6))

If a taxpayer claims a MEGA business activity credit or a MEGA employment credit and has an agreement with MEGA based on qualified new jobs and then removes from Michigan 51% or more of those qualified new jobs within three years after the first year in which the taxpayer claims a credit must pay to the Department an amount equal to the total of all credits that were claimed by the taxpayer. The payment is due no later than 12 months after those qualified new jobs are removed from Michigan. (MCL 208.37c(6))

MEGA Credit for New Capital Investment

Effective for tax years starting after December 31, 1999 and for a period of time not to exceed 20 years as determined by the Michigan Economic Growth Authority (MEGA), an eligible taxpayer may claim a credit against the Single Business Tax for capital investment in Michigan equal to an amount certified by MEGA. The credit is in addition to the MEGA employment tax credit and the MEGA business activity credit. (MCL 208.38g(20))

The credit amount is either:

- For an eligible business that has entered into a written agreement with MEGA and that is located in Michigan on the date of the application, makes new capital investment of \$250 million in Michigan, and maintains 500 retained jobs, an amount that is not more than 50% of one or both of the following: (1) the payroll of the eligible taxpayer attributable to employees who perform retained jobs, multiplied by the tax rate for the tax year; and/or (2) the tax liability attributable to the taxpayer's business activity multiplied by a fraction, the numerator of which is the ratio of the value of new capital investment to all of the taxpayer's Michigan property plus the ratio of the taxpayer's payroll attributable to retained jobs to all of the taxpayer's Michigan payroll and the denominator of which is 2. (MCL 208.38g(20)(a))
- For an eligible business that has entered into a written agreement with MEGA and that relocates production of a product to Michigan after the date of the application, makes new capital investment of \$500 million in Michigan, and maintains 500 retained jobs, an amount that is not more than one or both of the following: (1) the payroll of the eligible taxpayer attributable to employees who perform retained jobs, multiplied by the tax rate for the tax year; and/or (2) the tax liability attributable to the taxpayer's business activity multiplied by a fraction, the numerator of which is the ratio of the value of new capital investment to all of the taxpayer's Michigan property plus the ratio of the taxpayer's payroll

attributable to retained jobs to all of the taxpayer's Michigan payroll and the denominator of which is 2. (MCL 208.38g(20)(b))

"New capital investment" means one or more of the following: (1) new construction (property not in existence on the date the business enters into a written agreement with MEGA and not replacement construction); and/or (2) the purchase of new personal property (personal property that is not subject to or that is exempt from the collection of property taxes under the General Property Tax Act on the date the business enters into a written agreement with MEGA). (MCL 207.803(l))

"Retained jobs" means the number of full-time jobs at a facility of an authorized business maintained in Michigan on a specific date as that date and number of jobs is determined by MEGA. (MCL 207.803(o))

This credit cannot be claimed unless MEGA has issued a certificate to the taxpayer. A credit cannot be claimed if the eligible taxpayer's initial certification is issued after December 31, 2009. This certificate must be attached to the eligible taxpayer's Single Business Tax return. (MCL 208.38g(23))

MEGA can require a taxpayer to provide a statement prepared by a certified public accountant verifying the actual number of new jobs created is the same number of new jobs used to calculate the credit. This statement must be attached to the taxpayer's annual return. (MCL 208.38g(23))

An affiliated group, a controlled group of corporations as defined in section 1563 of the internal revenue code and further described in income tax regulations sections 1.414(b)-1 and 1.414(c)-1 to 1.414(c)-5, or an entity under common control as defined by the internal revenue code can claim only one credit for each tax year based on each written agreement, whether or not a combined return is filed. (MCL 208.38g(22))

If the credit allowed for a taxpayer's business activity and any unused carryforward of the credit allowed for the taxpayer's business activity exceed the taxpayer's tax liability for the tax year, the excess is not refunded but may be carried forward to later tax years for up to 10 years. (MCL 208.38g(24))

If the credit allowed for the taxpayer's payroll exceeds the taxpayer's tax liability for the tax year, the excess must be refunded. (MCL 208.38g(25))

An eligible taxpayer is not barred from claiming the credit if the taxpayer claims the brownfield credit. (MCL 208.38g(1)) However, the taxpayer cannot claim both this credit and the "new" brownfield credit based on the same costs. (MCL 208.38g(26))

MEGA Credit for Distressed Businesses

In addition to the MEGA employment credit, for tax years starting after December 31, 2003 and before January 1, 2007, a taxpayer that is an authorized business and is a distressed business, with an initial certification under MCL 207.809 issued after December

31, 2003 and before January 1, 2005 may claim a credit equal to the sum of the following:

- (1) Up to 50% of the tax paid in the tax year under the Michigan Employment Security Act (MCL §421.1 et seq.), based on qualified new jobs; and
- (2) Up to 25% of the tax paid in the tax year under the Michigan Employment Security Act, based on all jobs other than qualified new jobs. (MCL 208.37c(10))

For a distressed business, “qualified new job” means a full-time job at a facility that is in excess of the number of full-time jobs maintained by that eligible business in Michigan on the date the eligible business became an authorized business. (MCL 207.803(n)(iii))

A “distressed business” means a business that meets all of the following as verified by the Treasury Department:

- Four years immediately preceding the application to MEGA, the business had 150 or more full-time jobs in Michigan.
- Within the immediately four preceding years, there has been a reduction of not less than 30% of the number of full-time jobs in Michigan during any consecutive three-year period. The highest number of full-time jobs within the consecutive three-year period must be used in order to determine the percentage reduction of full-time jobs.
- Is not a seasonal employer as defined in §27 of the Michigan Employment Security Act, (MCL 207.803(f))

An authorized business that is a distressed business must apply to MEGA, which determines the percentage for that authorized business. MEGA must issue a certificate to the authorized business stating the percentage amount and the tax years to which that percentage applies not more than 30 days after receipt of an application. (MCL 208.37c(11))

If the credit for the tax year and any unused carryforward of the credit exceed the taxpayer's tax liability for the tax year, the excess is not refunded, but may be carried forward for 10 years or until the excess credit is used up, whichever occurs first. (MCL 208.37c(12))

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