



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: November 1, 2023

TO: The Honorable Sarah Anthony, Chair
Senate Appropriations Committee

The Honorable Jon Bumstead
Minority Vice Chair
Senate Appropriations Committee

The Honorable Mary Cavanagh, Chair
Senate Appropriations Subcommittee on
Labor and Economic Opportunity/MEDC

The Honorable Mark Huizenga
Minority Vice Chair
Senate Appropriations Subcommittee on
Labor and Economic Opportunity/MEDC

The Honorable Angela Witwer, Chair
House Appropriations Committee

The Honorable Sarah Lightner
Minority Vice Chair
House Appropriations Committee

The Honorable Will Snyder, Chair
House Appropriations Subcommittee on
Labor and Economic Opportunity

The Honorable Greg VanWoerkom
Minority Vice Chair
House Appropriations Subcommittee on
Labor and Economic Opportunity

FROM: Quentin L. Messer Jr., President
Michigan Strategic Fund

Rachael Eubanks, State Treasurer
Michigan Department of Treasury

SUBJECT: MEGA and Other Certificated Credits 2023 Annual Report

Sections 526 and 941 of Public Act 119 of 2023, the FY 2024 Omnibus Budget, require the Department of Treasury and the Michigan Strategic Fund to report the annual cost of the Michigan Economic Growth Authority (MEGA) tax credits. The report shall include for each year the board approved credit amount, adjusted for credit amendments where applicable, and the actual and projected value of tax credits for each year from 1995 to the expiration of the credit program. For the years for which credit claims are complete, the report shall include the total of actual certificated credit amounts. For years for which claims are still pending or not yet submitted, the report shall include a combination of actual credits where available and projected credits. Credit projections shall be based on updated estimates of employees, wages, and benefits for eligible companies.

Additionally, these sections require reporting on the annual cost of all other certificated credits by program, for each year until the credits expire or can no longer be collected. Pursuant to this requirement, attached is the 2022 annual report.

Should you have any questions, please contact MEDC Legislative Affairs at medcgovrelations@michigan.org or the Department of Treasury at 517.335.7484 or by email at TreasORTA@michigan.gov.

Attachment

cc: Members, Senate and House Appropriations
Committees
Members, House Appropriations Subcommittee
on Labor and Economic Opportunity
Members, Senate Appropriations Subcommittee
on LEO/MEDC

State Budget Director
Directors, Senate and House Fiscal Agencies
Senate Democratic Policy Office
Senate Republican Policy Office
House Democratic Policy Office
House Republican Policy Office

FY 2023 Legislative Report

MEGA and Other Certificated Credits Annual Cost

As required by 526 and 941 of Public Act 119 of 2024, the FY 2023 Omnibus Budget, the following tables address the certificated credits annual cost reporting requirements for the Michigan Strategic Fund (MSF) and the Michigan Department of Treasury for Fiscal Year (FY) 2022 beginning October 1, 2022, and ending September 30, 2023.

With the repeal of the Michigan Business Tax (MBT) for most businesses beginning in 2012, no new Michigan Economic Growth Authority (MEGA) tax credits have been awarded since 2011. Table 1 contains the actual number and value of MEGA tax credit certificates issued since the program began, as well as the remaining projected liability of these credits through the end of the agreement terms and are presented by Company Tax Year. The certificates issued information is comprised of actual certificates issued by the MSF through September 30, 2023. These credits may not yet have been submitted to the Department of Treasury for processing as companies have up to four years after the date in which the original tax return is due to file an amended return and receive the benefit of the MEGA credit.

The estimated remaining liability is calculated using the number of qualified jobs, as well as wage and healthcare costs obtained from the most recent annual certificate application submitted by an eligible business. Growth factors provided by the Department of Treasury are used to project the credit value through the end of the MEGA term defined in each individual company agreement. These costs are then multiplied by the personal income tax rate factor resulting in the remaining estimated liability to the State of Michigan.

Table 2 contains the projected liability by Tax Year in which the MEGA tax credits described above will be earned. In addition, it contains the annual estimated cost by Tax Year, by program, for vehicle battery, brownfield redevelopment, farmland preservation, film, and other certificated credits, as required in Sections 526(2) and 941(2).

Table 3 reflects estimates by the Fiscal Year in which the certificated credits will be submitted to Treasury and refunded.

The Tax Year table (Table 2) begins with Tax Year 2016 and has total credits of \$7,289.9 billion, whereas the Fiscal Year table (Table 3) begins with Fiscal Year 2016 and has total credits of \$8,742.9 billion. The difference in certificated credits between these two tables is due to differences in the timing of the credits on a tax-year versus a fiscal-year basis. The Tax Year table breaks down the outstanding credits by the year in which the business activity that qualifies for the credit will occur and the Fiscal Year table breaks down the credits by the Fiscal Year in which the credits will be filed with the Department of Treasury and the refunds will be paid. Certificated credits are not earned and refunded in the same year. Once business activity is completed that qualifies for a credit, the business must apply for the credit with the MSF and the MSF must approve the credit and issue a credit certificate. The business must then file the certificate with the Department of Treasury to claim the credit and receive a refund or reduce its tax liability.

The Brownfield Redevelopment Tax Credit program was eliminated on December 31, 2011. There have been no new credits issued since that time. As of September 30, 2023, total outstanding unclaimed credit liability is approximately \$21.8 million. A total of \$2.49 million in brownfield certificates of completion was claimed in FY 2023. A certificate of completion is issued by Michigan Economic Development Corporation staff on behalf of the MSF upon verification of eligible investment and project completion. A certificate of completion is utilized by the qualified taxpayer to file with the Department of Treasury to claim the Brownfield Redevelopment Tax Credit.

There was a potential for Brownfield credits to be amended to extend their approved timeframe from five years to 10 years. A timeframe extension to 10 years did not increase the overall liability. Outstanding liability accounted for both single phase and multi-phase credits within the 10-year statutory time frame. There is one multi-phase credit project outstanding. If a multi-phase credit project is not completed in its entirety for all approved phases, any previously claimed credit is repayable as a penalty to the Department of Treasury. Statutorily, outside of multi-phase credits, there is not a legal timeframe for a qualified taxpayer to request their credit, therefore, it is possible not all Brownfield credits will be claimed upon final expiration of nearly all credits which occurred December 31, 2021. However, a legislative amendment to the MBT Act, effective June 15, 2021, extended the time to complete one project to September 14, 2023. A second legislative amendment to the MBT Act, effective October 29, 2021, extended the time to complete another project, comprised of two single-phase MBT credits, to December 31, 2026. A third legislative amendment to the MBT Act, effective September 13, 2023, extended the time to complete the first project to December 31, 2026.

The Film Credit program was eliminated in 2011 and no new credits have been issued since then. There is \$27.4 million in outstanding film credits that have yet to be claimed; however, it is estimated that these credits will not be claimed because the projects were not pursued for various reasons. There is no expiration date for these credits.

Table 1**Estimated MEGA Tax Credit Liability
9/30/2023**

Company Tax Year	Proposed Value at time of Approval	# of Certificates Issued	Value of Certificates Issued	Estimated # of Certificates	Estimated Remaining Liability
1996	\$1,360,000	4	\$955,674		
1997	\$4,369,463	11	\$3,046,758		
1998	\$8,585,635	17	\$5,991,499		
1999	\$14,772,025	30	\$10,344,388		
2000	\$25,926,081	39	\$13,306,425		
2001	\$42,126,619	49	\$18,987,919		
2002	\$60,729,979	55	\$23,837,437		
2003	\$76,528,730	56	\$28,089,316		
2004	\$94,781,033	75	\$44,535,996		
2005	\$130,557,279	92	\$64,879,452		
2006	\$155,519,214	111	\$82,390,343		
2007	\$195,197,030	141	\$110,055,988		
2008	\$212,264,347	125	\$108,308,008		
2009	\$236,043,139	126	\$81,668,046		
2010	\$283,095,252	165	\$128,494,643		
2011	\$351,826,593	216	\$256,006,991		
2012	\$473,693,408	196	\$376,987,567		
2013	\$581,025,206	161	\$463,826,295		
2014	\$555,189,347	147	\$490,414,553		
2015	\$618,723,180	129	\$510,361,182		
2016	\$581,629,528	91	\$517,008,581		
2017	\$570,354,175	60	\$512,430,304		
2018	\$522,244,733	43	\$497,406,276		
2019	\$502,330,952	27	\$521,382,356	3	\$4,037,722
2020	\$484,721,994	19	\$512,191,990	3	\$4,124,694
2021	\$430,930,234	15	\$486,672,894	2	\$2,857,417
2022	\$422,927,057	5	\$5,002,589	8	\$485,360,728
2023	\$404,097,820			11	\$503,908,200
2024	\$395,868,917			9	\$512,011,769
2025	\$365,280,649			8	\$521,808,481
2026	\$363,944,941			5	\$353,851,646
2027	\$254,619,845			3	\$358,310,876
2028	\$260,679,208			3	\$365,976,323
2029	\$257,023,524			3	\$379,607,718
2030	\$102,866,000			1	\$799,950
2031	\$105,389,000				
2032	\$102,085,000				
Total	\$10,249,307,136		\$5,874,583,470		\$3,492,655,524

Table 2

**ESTIMATES OF OUTSTANDING CERTIFICATED CREDITS
BY TAX YEAR IN WHICH THEY WILL BE EARNED**

(dollars in millions)

Tax Year	Battery	Brownfield	Farmland Preservation	Film ⁽¹⁾	MEGA/ Historic Preservation/ Polycrystalline	Ren Zones	Total Credits
2016	\$46.8	\$49.3	\$2.8	\$0.0	\$574.9	\$13.1	\$686.8
2017	\$0.0	\$34.2	\$1.8	\$0.0	\$575.2	\$20.1	\$631.3
2018	\$0.0	\$30.6	\$1.9	\$0.0	\$557.0	\$41.0	\$630.5
2019	\$0.0	\$15.0	\$1.5	\$0.0	\$577.7	\$16.8	\$611.0
2020	\$0.0	\$15.4	\$1.5	\$0.0	\$599.2	\$4.3	\$620.5
2021	\$0.0	\$16.1	\$1.5	\$0.0	\$538.4	\$2.5	\$558.5
2022	\$0.0	\$7.9	\$1.5	\$0.0	\$502.9	\$2.5	\$514.8
2023	\$0.0	\$9.7	\$1.5	\$0.0	\$512.7	\$3.8	\$527.6
2024	\$0.0	\$0.0	\$1.5	\$0.0	\$512.0	\$2.6	\$516.1
2025	\$0.0	\$0.0	\$1.5	\$0.0	\$521.8	\$1.3	\$524.6
2026	\$0.0	\$0.0	\$1.5	\$0.0	\$353.9	\$0.6	\$356.0
2027	\$0.0	\$0.0	\$1.5	\$0.0	\$358.3	\$0.0	\$359.8
2028	\$0.0	\$0.0	\$1.5	\$0.0	\$366.0	\$0.0	\$367.5
2029	\$0.0	\$0.0	\$1.5	\$0.0	\$379.6	\$0.0	\$381.1
2030	\$0.0	\$0.0	\$1.5	\$0.0	\$0.8	\$0.0	\$2.3
2031	\$0.0	\$0.0	\$1.5	\$0.0	\$0.0	\$0.0	\$1.5
Total from 2016 to 2031	\$46.8	\$178.3	\$26.0	\$0.0	\$6,930.3	\$108.6	\$7,289.9

Source: Estimates based on best information available on current agreements from Michigan Economic Development Corporation, with some supplemental data from the Michigan Department of Treasury.

(1) Excluded from this estimate are \$27.4 million in film credits for approved projects. The projects are not yet successfully completed.

Table 3

**ESTIMATES OF OUTSTANDING CERTIFICATED CREDITS
BY FISCAL YEAR IN WHICH THEY WILL BE SUBMITTED TO TREASURY & REFUNDED**
(dollars in millions)

Fiscal Year						MEGA/ Historic Preservation/ Polycrystalline	Ren Zones	Total Credits
	Battery	Brownfield	Farmland Preservation	Film ⁽¹⁾				
2016	\$150.7	\$95.1	\$1.9	\$1.5		\$651.1	\$24.5	\$924.8
2017	\$98.4	\$29.3	\$2.8	\$3.6		\$556.1	\$13.8	\$704.1
2018	\$10.6	\$55.6	\$1.8	\$0.0		\$648.1	\$10.9	\$727.0
2019	\$0.0	\$22.3	\$1.7	\$0.0		\$590.1	\$47.8	\$661.9
2020	\$0.0	\$13.2	\$1.9	\$0.0		\$584.7	\$20.7	\$620.5
2021	\$0.0	\$24.5	\$1.6	\$0.0		\$462.6	\$4.9	\$493.6
2022	\$0.0	\$8.7	\$1.7	\$0.0		\$534.9	\$2.6	\$547.9
2023	\$0.0	\$14.9	\$1.9	\$0.0		\$509.4	\$2.0	\$528.2
2024	\$0.0	\$0.0	\$1.5	\$0.0		\$494.1	\$4.0	\$499.6
2025	\$0.0	\$0.0	\$1.5	\$0.0		\$503.9	\$3.0	\$508.4
2026	\$0.0	\$0.0	\$1.5	\$0.0		\$512.0	\$1.5	\$515.0
2027	\$0.0	\$0.0	\$1.5	\$0.0		\$521.8	\$0.8	\$524.1
2028	\$0.0	\$21.8	\$1.5	\$0.0		\$353.9	\$0.0	\$377.2
2029	\$0.0	\$0.0	\$1.5	\$0.0		\$358.3	\$0.0	\$359.8
2030	\$0.0	\$0.0	\$1.5	\$0.0		\$366.0	\$0.0	\$367.5
2031	\$0.0	\$0.0	\$1.5	\$0.0		\$379.6	\$0.0	\$381.1
2032	\$0.0	\$0.0	\$1.5	\$0.0		\$0.8	\$0.0	\$2.3
Total from FY 2016 to FY 2032	\$259.7	\$285.4	\$28.8	\$5.1		\$8,027.4	\$136.5	\$8,742.9

Source: Estimates based on best information available on current agreements from Michigan Economic Development Corporation, with some supplemental data from the Michigan Department of Treasury.

Notes: The total certificated credits on a fiscal year basis, as presented in this table, are greater than the certificated credits on a tax year basis, as presented in Table 2 due to the difference in the timing of when the credit-qualifying activity occurs in a particular tax year and when the business actually files a credit certificate with the Department of Treasury. As a result of these timing differences, the credits on a fiscal year basis presented in this table includes some credits that were earned prior to tax year 2016.

(1) Excluded from this estimate are \$27.4 million in film credits for approved projects. The projects are not yet successfully completed.