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MEGA Tax Credit

The Michigan Economic Growth Authority (MEGA), the state's response to interstate competition for company expansions and relocations, may provide a refundable tax credit against the Single Business Tax (SBT) to companies expanding or relocating their operations in Michigan.

Companies eligible for a MEGA tax credit against the SBT are those engaged in manufacturing, research and development, wholesale trade or office operations that are financially sound and have solid proposals. Retail facilities are not eligible. Each credit may be awarded for up to 20 years and up to 100 percent of an amount equal to the personal income tax generated by new workers, based on program guidelines and MEGA board approval.

Factors governing the amount and duration of MEGA credits:

- Standard MEGA tax credits are available to in-state companies creating at least 50 new jobs, or 100 new jobs for those based out-of-state, within one year. The new jobs must be in addition to those existing during the year preceding application for the credit; previously existing jobs must be maintained for the life of the credit.
- Rural MEGA tax credits are available to companies in counties with populations less than 90,000. The job creation requirements for these projects are 5 new jobs in the first year and 25 by the fifth year.
- High-Tech MEGA tax credits are designed to attract new, innovative and cutting-edge companies that specialize in new technologies. They are available to firms or facilities whose primary business activity is advanced computing, biotechnology, electronic device technology, engineering and laboratory testing related to product development, medical device technology, product research and development, advanced vehicle technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment, tool and die manufacturing, life sciences technology, advanced automotive, manufacturing and materials technology, homeland security and defense technology, and alternative energy technology. The job creation requirements for these projects are 5 new jobs in the first year and 25 by the fifth year. In addition, the wages for new jobs must be at least 300 percent of the federal minimum wage.
- MEGA tax credits must address any competitive disadvantage of expanding or locating the business in Michigan, and must be necessary for the expansion/location to be made in Michigan.
- A local government or a local economic development organization must make a financial or economic commitment to the project.

(MORE)

MEGA TAX CREDIT CONTINUED

- The project cannot be announced or work started before the MEGA award.
- The average wage must equal or exceed 150 percent of the federal minimum wage for companies seeking Standard or Rural MEGA credits. Companies seeking a High-Tech MEGA credit must pay an average of at least 300 percent of the federal minimum wage.
- Total capital investment of the business.
- Impact of the project on Michigan's economy.

Companies undertaking major investments that result in the retention of existing Michigan employment may be considered for a Retention MEGA credit. These credits must be used to address competitive disadvantages for projects that would otherwise not occur in the state, and are evaluated using the criteria stated above.

An eight-member board evaluates project applications. The board is comprised of the Chief Executive Officer of the Michigan Economic Development Corporation (MEDC), the State Treasurer, the directors of the state departments of Labor and Economic Growth and Transportation, and four private-sector members appointed by the Governor.

A non-refundable application fee is collected at the time the company submits its application for a MEGA credit. In addition, a one-time only administrative fee of one-half of 1 percent of the estimated value of the MEGA incentive will be assessed. This fee is payable at the time the company is certifying its eligibility to receive MEGA awards (i.e., prior to or on the anniversary date) and cannot exceed \$100,000.

Economic developers with specific projects potentially eligible for MEGA tax credits should contact their MEDC account manager. For more information, contact the MEDC Customer Assistance at 517.373.9808 or visit our Web site at www.michigan.org.