

## MEGA RETENTION TAX CREDITS

The Michigan Economic Growth Authority (MEGA) is empowered to assist Michigan companies that are considering a business closure by awarding a Retention MEGA. Companies eligible for a MEGA Employment Tax Credit against the Michigan Business Tax (MBT) are those engaged in manufacturing, mining, research and development, wholesale and trade, film and digital media, office operations, or certain tourism projects. In order to qualify for a Retention MEGA, companies must agree to the following requirements:

- Retain not fewer than 50 jobs.
- Make new capital investment equal to \$50,000 or more per retained job at the facility. New capital investment is defined as construction, acquisition of the company to help retain the business in Michigan, purchase of a building or machinery and equipment, or any other allowable investment.
- Certify to the MEGA that without the credits and the infusion of new capital investment, the facility is at risk of closing and the work and jobs would leave Michigan.
- Certify to the MEGA that the management and/or ownership are committed to improving the long-term viability of the facility by implementing lean practices, better management techniques, state of the art lean manufacturing practices and market diversification.
- Certify to the MEGA that it will make its best efforts to keep jobs in Michigan when making plant location and closing decisions.
- Certify to the authority that the workforce at the facility demonstrates its commitment to improving productivity and profitability at the facility through various means.
- Meet with a representative from the Michigan Economic Development Corporation annually to discuss Michigan business operations related to the Retention MEGA.

- Pay at least 150 percent of the Federal Minimum Wage for each and every retained job.
- Employees must work at least 35 hours per week to be eligible for the credit.
- Demonstrate how the project will create employment opportunities for Michigan and strengthen its economy.
- Require a repayment provision should the company move jobs from the state during the term of the credit or a period of 12 months after the credit has ended.

Other considerations by the MEGA may include but are not limited to:

- Substantially all of the jobs or an entire production line is at risk.
- Local commitment in retaining the company in Michigan.

Depending on the overall investment, each credit may be awarded for up to 20 years and up to 100 percent of the wages and employer-paid health care benefits multiplied by the personal income tax rate. The percentage is determined on the amount of the investment per job. For example, if a company were investing \$50,000 per job, the credit would be 50 percent. If they were investing \$100,000 per job, the credit would be 100 percent.

The eight-member MEGA Board evaluates project applications after Michigan Economic Development Corporation<sup>SM</sup> (MEDC) staff has negotiated the terms of the project. The list of factors below will be considered by the Board in determining the amount and duration of the credit:

- Local government or local economic development organization financial or economic contribution to the project;
- The average wage and employer-paid health care benefits relative to other companies within the

- county where the project will locate;
- Whether the company chooses to reuse or redevelop previously utilized property;
- Whether the project will occur in Michigan without the tax credit;
- Whether the company has engaged in a benchmarking study or has committed to engage an organization to develop lean practices or market diversification;
- The potential impact on Michigan's economy;
- Any other information the MEGA Board deems necessary to award a credit.

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 one percent of the estimated value of the MEGA incentive will be assessed. This fee is payable at the time the company requests their initial tax credit and cannot exceed \$100,000.

Economic developers with specific projects potentially eligible for MEGA tax credits should contact their MEDC business development manager. For more information, contact the MEDC Customer Assistance Center at 517.373.9808 or visit our Web site at [MichiganAdvantage.org](http://MichiganAdvantage.org).