

MEGA STANDARD AND RURAL JOB CREATION TAX CREDITS

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 Michigan Business Tax (MBT) to companies expanding or relocating their operations in Michigan. Companies eligible for a MEGA Employment Tax Credit against the MBT are those engaged in manufacturing, mining, research and development, wholesale and trade, film and digital media, office operations, or certain tourism projects. Generally, retail facilities are not eligible. Credits are awarded on the company's strength of the project, program guidelines and MEGA board approval.

Standard MEGA tax credits are available to companies creating at least 50 new jobs by the first year of the credit, as determined by the MEGA. The new jobs must be in addition to those existing during the year preceding application for the credit and 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 requirement for a Rural MEGA are five new jobs by the first year of the credit and 25 new jobs by the fifth year of the credit, as determined by MEGA, along with the maintenance of the base employment level.

The following are statutory requirements on all MEGA credits:

- The MEGA tax credits must address any competitive disadvantage of expanding or locating a business in Michigan.
- Each and every new job must pay at least 150 percent of the Federal Minimum Wage.

- Employees must work at least 35 hours per week to be eligible for the credit.
- The project demonstrates how it will create employment opportunities for Michigan and strengthen its economy.
- The company cannot begin construction of the project before the MEGA credit is awarded.
- The project will require a repayment provision should the company move new jobs from the state during the term of the credit.
- The new jobs must be in addition to those existing during the year preceding application for the credit.
- Existing jobs must be maintained for the life of the credit.

Each credit may be awarded for up to 20 years and up to 100 percent of an amount equal to the salaries and wages and employer-paid health care benefits multiplied by the personal income tax rate.

The eight-member MEGA Board evaluates project applications after Michigan Economic Development CorporationSM (MEDC) staff has negotiated the terms of the project. Below is a list of factors that will be considered by the Board in determining the amount and duration of each project:

- Local government or local economic development organization financial or economic contribution to the project
- The overall capital investment for each 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
- The potential impact on Michigan's economy.

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.