

## MEGA Tax Credit

### Program Description

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 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% 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:

- 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.
- The project cannot be announced or work started before the MEGA award.
- The average wage must equal or exceed 150% 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 400% of the federal minimum wage.
- Total capital investment of the business.
- Impact of the project on Michigan's economy.

### Types of MEGA tax credits:

- **Standard MEGA tax credits** are available to in-state companies creating at least 75 new jobs, or to out-of-state companies creating at least 150 new jobs 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 80,000. The job creation requirements for these projects are five 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 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. The job creation requirements for these projects are five new jobs in the first year and 25 by the fifth year.

- **Retention MEGA tax 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. Companies undertaking major investments that result in the retention of existing Michigan employment may be considered for a Retention MEGA credit.

#### Evaluation

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% of the estimated value of the MEGA incentive will be collected. This fee is payable at the time the company is certifying its eligibility to receive MEGA awards. (i.e. prior to or on anniversary date) and is limited to no more than \$100,000.

For more information about this program, contact Southwest Michigan First at 269.553.9588.