

## MICHIGAN ECONOMIC GROWTH AUTHORITY HIGH-TECH AND HIGH-WAGE MEGA TAX CREDITS

The objectives of the High-Tech Michigan Economic Growth Authority (MEGA) program are to promote the development of high-tech businesses in both traditional and emerging industries by providing a tax credit against the Michigan Business Tax (MBT) and assist in the diversification of Michigan's economy. Businesses expanding or locating in Michigan that are primarily engaged in a "high-technology activity" or use at least 25 percent of total operating expenses for research and development may qualify for the credit.

### HIGH-TECHNOLOGY MEGA

Employment Tax Credits require that companies meet the definition of a "high-technology" company as defined under the law and as determined by the Michigan Economic Development Corporation<sup>SM</sup> (MEDC). Five new jobs must be created by the time the company collects the credit for the first year as determined by the MEGA, and 25 jobs must be created by the fifth year, along with the maintenance of the base employment. The following business activities that qualify under the statutory high-technology definition are as follows:

- Advanced computing used in the design and development of computer hardware and software, data communications, information technologies, and film and digital media production.
- Advanced materials.
- Biotechnology.
- Electronic device technology.
- Engineering or laboratory testing related to the development of a product.
- Technology that assists in the assessment or prevention of threats or damage to the environment.
- Medical device technology.
- Product research and development.
- Advanced vehicles, which is technology involved in the research and development of electric, hybrid or alternative energy vehicles.
- Tool and die manufacturing.
- Digital media.
- Music production.
- Film and video.

Under the MBT Act, the statute allows a qualified high-technology business to collect 200% of the sum of the payroll and health care benefits for the first three years of the credit, multiplied by the personal income tax rate. Businesses that receive the 200 percent credit under this accelerated scenario cannot exceed a seven-year time period for the credit.

### HIGH-WAGE MEGA

Credits are available to eligible businesses that create jobs paying a minimum of 300 percent of the federal minimum wage to each and every employee for which the business will receive a tax credit. However, for initial qualification under the high-wage MEGA, the company must pay an average 300 percent of the federal minimum wage for all its employees. Job creation objectives are identical to the high-tech MEGA program.

The MEGA board, an eight-member board, evaluates project applications after MEDC staff has negotiated the terms of the project. Below is a list of factors that will be considered by the board on each project:

- Local government or local economic development organization contribution to the project.
- Capital investment is considered as a sign of investment in Michigan.
- 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 when the company's application for the first year of the tax credit is due.

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.