



Chair Hoskins and Members of the Economic Development and Small Business Committee:

In regard to HB 5009 (Hood), HB 5100 (Martus), HB 5101 (Rogers) and HB 5102 (Puri), we want to thank you for your interest in R&D. Michigan is 1 of only 14 states that does not have an R&D credit built into their tax code. For Michigan to be competitive, getting the R&D tax code right is imperative for future growth. While these bills show recognition that R&D is a piece of the puzzle to creating an environment for entrepreneurial success, we would like to share with you some key principles that our membership of 32,000+ strong hold true specifically as it relates to small business accessing and utilizing this type of credit.

Building the R&D tax credit into the tax code will bring many advantages. First, it is predictable and reliable. Second, it will be administered simply and efficiently in that it is automatically implemented through annual tax filings within Treasury, especially if it is handled as an “add on” to the federal R&D tax credit. Finally, making the credit available to all industries and sizes (large and small) allows varying types of innovation to take root and grow. This wide-ranging approach helps define the business climate here in Michigan as being one that encourages innovation at every level.

SBAM would support an R&D tax credit implemented through the tax code making the credit automatic and available to all companies currently in Michigan, as well as those newly considering investing in Michigan. Ideally, the credit would borrow federal definitions and simply add on a Michigan credit as a percentage of the federal R&D Credit. This approach can be compared to what was done earlier in the year with the Earned Income Tax Credit (EITC), that saw great bipartisan support. We would encourage the committee to emulate that same methodology as it moves forward in considering its next steps.

When companies are choosing their next location and long-term investments like R&D, they need predictability and certainty that tax credits supporting that effort will remain in place.

Thank you for taking the time to consider these different facets. Our small business owners want to continue to make Michigan their home for innovation. Please feel free to reach out to us at any time with follow-up questions.

All the best,

A handwritten signature in black ink, appearing to read "Kelli Saunders".

Kelli Saunders

Vice President of Policy & Engagement