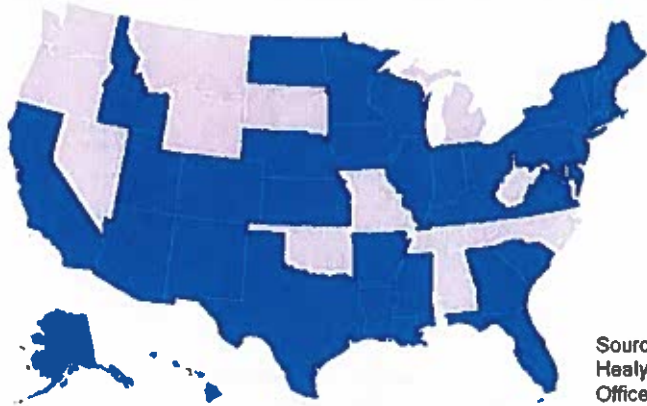


# Compete to Win: Michigan's Path to Top 10

## A framework for holistic economic development

### Key Principles

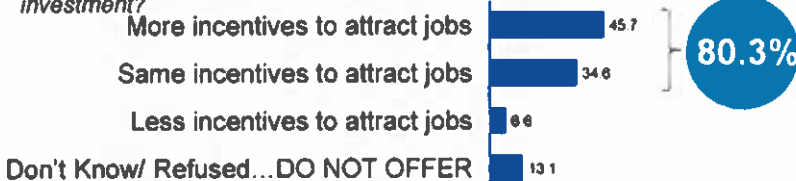
- 1 Prepare now for the future we want
- 2 Ensure Michigan's talent is a differentiator
- 3 Make Michigan the easiest state for people and businesses to grow
- 4 TAKE A SMART, CONSISTENT APPROACH TO INCENTIVES



**Michigan is one of only 13 states without a research and development tax incentive**

Source: Weldon Cooper Center Analysis based on Wolters Kluwer VitalLaw, Healy Schadewald, and Nelson (2021), Pennsylvania Independent Fiscal Office (2020), and Schmidt (2021)

**Question:** Do you support Michigan using more, the same, or less incentives as Ohio and Indiana to attract jobs and investment?



**Michigan voters strongly support competing with neighboring states on incentives**

Source: The Glengariff Group, Inc. statewide survey of likely 2024 General Election voters, 600 sample, live operator telephone survey, September 6-11, 2023, +/-4.0% MOE, 95% level of confidence

### Michigan Research and Development (R&D) Tax Credit program (House Bills 5099-5012)

#### SMART

- **Modeled on federal credit.**
  - Businesses with 250+ employees can claim up to \$2.0 million/year;
  - Businesses under 250 employees can claim up to \$250,000/year;
  - Collaboration with a research university is eligible for an additional \$200,000 credit
- **Defends and diversifies Michigan's economic base.** Drawing future automobile manufacturing and other knowledge economy industries.

#### PREDICTABLE

- **Total awards capped.** No more than \$100 million in a given year.
- **Easy to use.** Business files for state credit at same time it files for federal credit.

#### PERFORMANCE-BASED

- **Must make required investment to qualify.** If the investment isn't made, no incentive is awarded.
- **Has transparency and accountability.** Regular public reporting and evaluations of the program's effectiveness required.

#### PRO-GROWTH

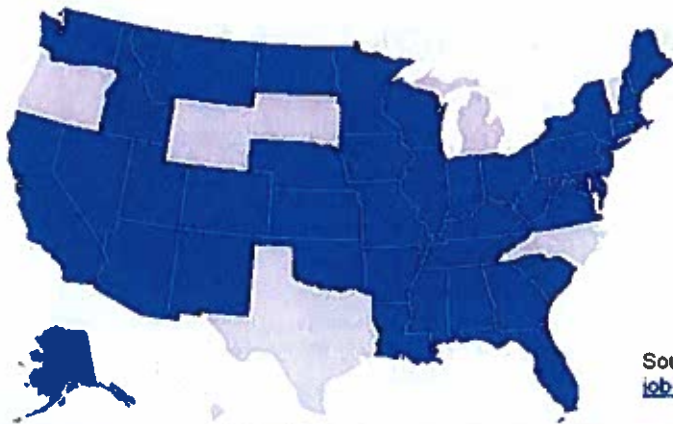
- **Spurs entrepreneurial activity.** States that introduced R&D tax credits saw 20% growth in new business formation over 10 years. (Fazio, C., Guzman, J., & Stern, S. (2020). *The Impact of State-Level Research and Development Tax Credits on the Quantity and Quality of Entrepreneurship. Economic Development Quarterly*, 34(2), 188-208)

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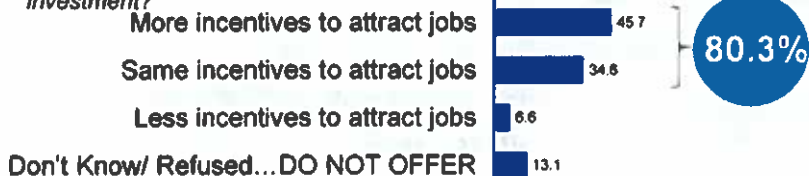
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**Michigan is one of only 8 states without a job creation tax incentive**

Source: <https://info.siteselectongroup.com/blog/state-tax-credits-for-job-creation-capital-investments>, March 22, 2022

**Question:** Do you support Michigan using more, the same, or less incentives as Ohio and Indiana to attract jobs and investment?



**Michigan voters strongly support competing with neighboring states on incentives**

Source: The Glengriff Group, Inc. statewide survey of likely 2024 General Election voters, 600 sample, live operator telephone survey, September 6-11, 2023, +/-4.0% MOE, 95% level of confidence

### High-Wage Incentive for Regional Employment (HIRE) program (Senate Bills 579-581)

#### SMART

- **Grows high-wage jobs.** Businesses can capture personal income tax withholding from new jobs they create if they add:
  - 250+ new jobs at 125% of the regional median wage; or
  - 25+ new jobs at 150% of the regional median wage
- **Does not favor only large projects or certain industries.** Only casinos, retail and professional sports are ineligible.

#### PREDICTABLE

- **Total value of awards is capped.** No more than \$200 million in a given year
- **It's fiscally responsible.** The jobs would not have been here without the incentive, so it does not cut the general fund.
- **It's net positive long-term.** The state forgoes some personal income tax in the short-term, but it, as well as sales tax and property taxes, accrue to the state over the long-term.

#### PERFORMANCE-BASED

- **Must create jobs at required wages to qualify.** If the jobs aren't created, no incentive is awarded.
- **Has transparency and accountability.** Required regular public reporting and evaluations of the program's effectiveness.
- **Maintains local control.** Local government support required.

	MI – High-wage Incentive for Regional Employment (HIRE)	MI – Good Jobs for Michigan (expired)	IL – Economic Development for a Growing Economy (EDGE) credit	IN – Economic Development for a Growing Economy (EDGE) credit	MN – Job Creation Fund	OH – Job Creation Tax Credit	WI – Business Development Tax Credit
Agency	Michigan Economic Development Corporation (MEDC)	Michigan Economic Development Corporation (MEDC)	Illinois Department of Commerce and Economic Opportunity	Indiana Economic Development Corporation (IEDC)	Minnesota Department of Employment and Economic Development	Jobs Ohio	Wisconsin Economic Corporation
Eligibility Reqs	<ul style="list-style-type: none"> <li>• Must create new jobs from another location within the state</li> <li>• Economically sound and benefits the state</li> <li>• Would not happen without credit (But For)</li> <li>• Net positive fiscal impact to state</li> <li>• Casinos, sports arenas, retail not eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Must create new jobs from another location within the state</li> <li>• Economically sound and benefits the state</li> <li>• Would not happen without credit (But For)</li> <li>• Net positive fiscal impact to state</li> <li>• Casinos, sports arenas, retail not eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Meets job and investment requirements</li> <li>• Can't move jobs from another location within the state</li> <li>• Economically sound and benefits the state</li> <li>• Net positive fiscal impact to state</li> <li>• Would not happen without credit (But For)</li> <li>• Cost analysis compared to offers from other states (using best available data)</li> </ul>	<ul style="list-style-type: none"> <li>• Must create new jobs from another location within the state</li> <li>• Economically sound and benefits the state</li> <li>• Would not happen without credit (But For)</li> <li>• Primarily engaged in manufacturing, warehousing, distribution, information technology, finance, insurance, or professional &amp; technical services</li> <li>• Lobbying; gambling; entertainment; sports; political consulting; leisure; hospitality; and certain professional services (attorneys, accountants, others) not eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Must create new jobs from another location within the state</li> <li>• Would not happen without credit (But For)</li> <li>• Primarily engaged in manufacturing, warehousing, distribution, information technology, finance, insurance, or professional &amp; technical services</li> <li>• Lobbying; gambling; entertainment; sports; political consulting; leisure; hospitality; and certain professional services (attorneys, accountants, others) not eligible</li> </ul>	<ul style="list-style-type: none"> <li>• Must create new jobs</li> <li>• Can't move jobs from another location within the state</li> <li>• Economically sound and benefits the state</li> <li>• Credit must be a major factor in applicant's decision to locate in Ohio</li> </ul>	<ul style="list-style-type: none"> <li>• Must create new jobs</li> <li>• Economically sound and benefits the state</li> <li>• Would not happen without credit (But For)</li> <li>• Payday loan and title pawn shops, media outlets, retail, farms, primary care medical facilities, financial institutions, and businesses in the hospitality industry not eligible</li> </ul>
Job Reqs	250/50 jobs	3,000/500/250	<ul style="list-style-type: none"> <li>• For companies &gt; 100 employees, create lesser of 50 new full-time jobs or jobs = 10% of global employment and minimum \$2.5M capital investment</li> <li>• For companies ≤ 100 employees, create lesser of 50 new full-time jobs or 5% of global employment (no capital investment required)</li> </ul>	Discretion of IEDC unless no site proposed, then at least 50 jobs	Create at least 10 new, full-time, permanent jobs (5 for targeted populations)	Create at least 10 new jobs	Net employment exceeds prior year as determined by the corporation
Wage Reqs	150%/175% or more of prosperity region median	For 3,000 and 500 job projects, must be equal to or greater than average of prosperity region; for 250 job projects, must be 125% of prosperity region average	None	Discretion of IEDC unless no site proposed, then at least 150% of state wage	Pay at least 110 percent of federal poverty level for a family of four	Pay at least 150% of federal minimum wage	None
Caps	<ul style="list-style-type: none"> <li>• Up to 100% of incremental withholding</li> <li>• No more than \$100M in total agreements/yr.</li> </ul>	<ul style="list-style-type: none"> <li>• 100%/50%/100% of incremental withholding</li> <li>• No more than 15 agreements/yr</li> </ul>	<ul style="list-style-type: none"> <li>• Value of credit cannot exceed incremental withholding of new jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Value of credit cannot exceed incremental withholding of new jobs</li> </ul>	<ul style="list-style-type: none"> <li>• \$1,000 to \$4,000 (\$2,000-\$5,000 for targeted populations)/job based on paying between</li> </ul>	<ul style="list-style-type: none"> <li>• None – value of credit determined by Jobs Ohio</li> </ul>	<ul style="list-style-type: none"> <li>• Various percentages of the wages paid to employees or the amount of capital investment made</li> </ul>

