

Michigan's Business Tax Incentives

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I. Summary of Findings

PURPOSE OF REPORT Effective business tax incentive programs are imperative when a state is in economic decline, when its business tax burdens are considered uncompetitive for many industries, or when state budgets are strained. Michigan suffers from all three of these conditions. It can afford to pursue only the most effective tax incentive programs.

Unfortunately, there exists no comprehensive assessment of the effectiveness of Michigan's tax incentive programs. The purpose of this report is to fill much of that gap, first by creating a systematic inventory of Michigan's tax abatement programs, and second by evaluating the available evidence of their effectiveness in attracting and retaining businesses.

The Michigan Education Association and National Education Association commissioned this report to improve the quality of the debate on business tax incentives. The report was completed by the independent consulting firm of Anderson Economic Group, LLC, which has considerable expertise in business tax policy, tax incentives, and state tax burden comparisons. The background of the authors is described in Appendix B, "About Anderson Economic Group" on page B-1.

The sponsors of this research, and the authors of this report, hope it will provide taxpayers, policymakers, and business leaders with the basis for a comprehensive review of tax incentive programs in our state.

OVERVIEW OF APPROACH

In this report we define "tax abatement" or "tax incentive" and distinguish it from changes in tax policy; inventory the existing incentive programs where information could be obtained about them; quantify the number and nominal dollar amount of a large number of the incentives for which information could be obtained; and evaluate the relative effectiveness of several of the best known of these programs in generating new economic activity in the state.

"TAX ABATEMENT" DEFINED

We define business "tax abatement" or "tax incentive" as any law or program that allows a specific business or set of businesses located on specific plots of land to incur a reduced tax liability because of the business' location, behavior, or type. A reduction in a tax rate, or exemption from a tax base, for businesses that locate in a specially-designated area, or for a specific business that promises to operate in a specific industry, is an abatement.

We use the terms "abatement" and "incentive" synonymously in this report, under the assumption that all such programs are designed to incentivize busi-

nesses to invest or employ workers in specific industries or areas of Michigan. We discuss the validity of this assumption further below.

Many tax policy changes, or provisions in existing law, are not abatements. In particular, a reduction in the general business tax rate for all businesses in the state or in a taxing jurisdiction is not an “abatement;” it is a change in tax policy. Similarly, we consider *bona fide* special assessments, user fees, locally-voted tax increases or decreases that result in different tax rates in different parts of the state, and generally available provisions of the tax code (such as exemptions and deductions for normal business activity, and assessing practices) to be parts of the general tax structure of the state.

NUMBER OF ABATEMENT PROGRAMS

There are at least 36 business tax incentive programs defined in Michigan law. These can allow a business to reduce property, income, or business tax liabilities.

Michigan’s business tax incentives fall into two broad categories: those enacted through independent pieces of legislation, and those included in sections of the Michigan Business Tax Act, many of which are hold-overs from the Single Business Tax Act.

See “Inventory of Michigan’s Business Tax Incentives” on page 10.

OVERVIEW OF FINDINGS

1. There are at least four purposes of tax abatement programs

We have identified four purposes that could underlie a well-conceived business tax abatement program, and which have been asserted for one or more Michigan tax incentive. Each of Michigan’s business tax abatements can be evaluated against these purposes, as well as against the competing principles of uniformity and the necessity of properly financing important government services.

These four purposes are:

1. Address Cost Disadvantages.

A valid purpose for a tax incentive program is to selectively reduce the cost of investing or employing workers in the state, when such a cost disadvantage is otherwise likely to result in the loss of such investment and employment.

This is akin to a business lowering the price of its products to attract certain customers, which is technically a form of “price discrimination.”¹ Some tax abate-

1. Price discrimination is normally an attempt to identify certain narrow classes of customers that are more sensitive to cost, and give them a discount while maintaining higher rates on other customers. Classic examples are the “senior discount” offered by many restaurants, coupons targeted to certain groups, and travel pricing that varies depending on when tickets are purchased.

ment programs appear to be an attempt to attract narrow sets of particularly price-sensitive businesses.

2. Revitalize Distressed Local Economies.

Some incentive programs are focused on revitalizing a particular geographic area, rather than encouraging a specific type of business or business activity. Michigan has several incentive programs designed to encourage businesses to locate in a particular distressed area, regardless of the type of business.

3. Encourage Beneficial Business Activity.

Some tax abatement programs appear to be designed to encourage business activity that is considered especially beneficial to the state. Many types of business activity produces positive “spillover” effects, starting with the benefits of employing workers and paying taxes in the state. However, the state may benefit from some activity more than others. Certain tax incentive programs incentivize activities such as research and development or the rehabilitation of environmentally contaminated sites.

4. Pursue an Industrial Policy.

There are several abatement programs that appear to be intended to identify and attract to the state specific industries. The State appears to have selected these industries on the basis of their expectation of robust future growth, ability to provide the “good” jobs; or to diversify the employment base.¹ Many governments worldwide take actions specifically intended to foster, incubate, bolster, and protect certain industries.

2. *No Proper Inventory Exists*

There is currently no proper, publicly-available inventory of business tax incentive programs. Such an inventory should list the programs, statutory authorizations, intended purposes, eligibility criteria, nominal or estimated amount of tax revenue foregone, and nominal or estimated effectiveness in attaining the intended purpose.

The only systematic listing of programs that affect business tax liability is the *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*.² This document lists an estimate of the “tax expenditure” (i.e. foregone tax revenue) programs affecting all state-level taxes, including business taxes, the individual income tax, property taxes, and others.

1. Michigan’s government takes actions other than tax abatements that could be described in these terms, such as the renewable energy portfolio standard that is justified in part by the promise of “green jobs” attracted to the state.

2. Michigan Department of Treasury, *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*, Fiscal Year 2009

While this information is an important component of a proper inventory, it does not include other critical information as well as any assessment of the effectiveness of the program.

3. No independent agency collects information or administers all programs

No one agency administers or approves Michigan tax incentives. The majority of tax incentives in our inventory are awarded by the local unit of government, with final approval from the State Tax Commission. Those tax incentives involving business tax abatements are generally approved by the Michigan Economic Development Corporation (MEDC) or the Michigan Economic Growth Authority (MEGA). However, those incentives that are more specific, such as the Brownfield Redevelopment Tax Abatement and the recently passed film incentives, are approved by specialized offices—the local unit’s Brownfield Redevelopment Authority and the Michigan Film Office, respectively.

4. Approvals and reported effects are deeply affected by self-interest

Several of the programs we evaluated in detail (see “Analysis of Selected Incentive Programs” on page 14) rely on self-interested reporting to estimate projected results. For example, applicants for MEGA grants must report the number of jobs they will create or retain if they receive the grant. While the Michigan Economic Growth Authority has the authority to revoke future credits if the recipient does not live up to its claims, there is no auditing or verification of the information.

Self-interest also plagues the awarding of some incentives. For example, the film incentives authorized under PA 79 of 2008 can be awarded to any production deemed “eligible” by the Michigan Film Office. This arrangement may not result in optimal use of taxpayer dollars since part of the Film Office’s perceived level of success will rest on the *number* of films made with the aid of credits and the *dollar amount* of incentives awarded. In contrast, no one will receive public recognition for film proposals turned down.

Thus, both the recipient company and the state government often have an incentive to allow inflated reports of job creation to stand unchallenged.

5. Michigan could encourage more jobs, and bring in the same or greater tax revenue, by properly reforming certain tax incentives

Some incentives are so widely used that their “success” reveals a systematic weakness in Michigan’s business tax system, rather than specific opportunities to attract jobs with the judicious use of an incentive.

For example, the industrial property abatement authorized under PA 198 is very widely used, and is especially common where a significant amount of industrial property already exists. (See Figure 3, “Real Industrial Property and IFT-Exempt Property in Michigan Counties, 2006,” on page 22).

In such cases, the State of Michigan seems to be getting the worst of both worlds: the poor public impression of high tax rates without the tax revenue that such rates would imply. Michigan policymakers should instead consider whether widely-abated taxes should be lowered across the entire state, rather than abated on a piecemeal, but widespread, basis. In such cases, a lower rate uniformly levied could bring in as much tax revenue and encourage more jobs.

6. No true measurement of effectiveness exists

No true measurement exists of the degree to which programs designed to create, attract, or save jobs in the state actually do so. Indeed, no systematic measurement of actual jobs created exists, and no firm criteria exist for determining if employment at the business receiving the credit is genuinely new to the state.

The degree to which any accountability exists varies widely. MEGA and Renaissance Zone programs have some evaluation and certification built into the process, albeit one affected by self-interest. Abatements based on construction or rehabilitation of property have at least one identifiable criteria for effectiveness (e.g. construction completed by a certain date), but no evaluation whether the program resulted in new job creation or new economic activity. Other programs, such as tax credits for certain types of businesses, essentially rely on being self-evidently helpful to the state’s economy, and do not even require a self-reported estimate of net-new job creation.

7. Our evaluation of eight programs reveals large variation in effectiveness

Using the information available to us, including our extensive knowledge of Michigan’s industry, geography, economy, and business climate, we completed an evaluation of the relative effectiveness of eight of the best known tax abatement programs in the state. Given the lack of information, and poor quality of information, noted above, such an evaluation necessarily relied on professional judgement as much as verifiable empirical data.

We conclude that there is enormous variation in the effectiveness of the eight tax abatement programs we examined in detail. In particular, some programs have a clearly identified purpose, and largely achieve that purpose for at least the selected tax abatement recipients. Others have little apparent effectiveness for reasons that begin with the fact that no specific criteria or measurement of

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outcomes exist that would allow an analyst to observe actual success. We summarize our evaluation, and give specific observations for each, in Table 1 below.

TABLE 1. Relative Effectiveness of Selected Michigan Business Tax Incentives

Incentive	Relative Effectiveness in Encouraging Jobs in Michigan	Note
PA 198 - Industrial Property Abatement	High	Addresses serious cost disadvantage for manufacturers.
PA 328 - New Personal Property	High	Addresses Personal Property Tax (PPT) cost disadvantage for many industries, though only in specific areas.
PA 376 - Renaissance Zone Act	Medium	Widely disparate results; some very effective, some largely ineffective.
PA 24 - MEGA	Medium	Some awards are very effective; some accountability exists in approval and continued eligibility; however, industrial policy underlying MEGA means errors are inevitable.
PA 381 - Brownfield Redevelopment	Medium	Highly effective in encouraging development; good accountability. However, most development likely shifted from other Michigan areas.
PA 79 and §455 of MBT Act - Film Incentives	Low	Very large expenditures; no comparative advantage in this industry. Moreover, self-reported data and self-interested approval process limit ability to evaluate effectiveness.
PA 210 - Commercial Rehabilitation Abatement	Low	Relies on self-reported data; accountability very low;
PA 146 - Obsolete Property Rehabilitation	Low	Very little data exist, much of it self-reported.

Analysis: Anderson Economic Group LLC

Effectiveness as “Cost per Job”

Another way of looking at the relative effectiveness of various incentives is to compare the “cost per job,” meaning the lost tax revenue divided by the number of actual new jobs, for a specific year and program. For the reasons listed above, the required data for this calculation do not exist for most programs. However, using information from two programs for which some analysis was available provides a plausible range.

Assuming that the incentives actually “work” in bringing new jobs to the state, the MEGA program has been estimated to cost the state about \$5,000 in foregone tax revenue per new job, per year. The Film Credit, meanwhile, has been estimated to cost in excess of \$50,000 per new job, per year, in terms of foregone tax revenue. This \$5,000-\$50,000 range is an enormous swing. In terms of being in the long-run interests of the state, an incentive actually costing the state \$5,000 per year is probably worth attracting an actual, permanent, full-time job.¹ On the other hand, again using only a rough calculus, a credit of \$50,000

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means that the state is not just incentivizing activity—it is actually paying for the activity.

8. State and local governments forego a significant, but ultimately unknown, amount of revenue due to business tax incentives

As noted above, we do not have a reliable estimate of the actual cost of tax incentives in Michigan, nor of the number of jobs or amount of earnings that are retained in the state because of them. The only quantitative estimate available is the nominal tax expenditure. The nominal tax expenditure is the theoretical amount of tax that would have been collected, if the activity would have continued with no change even if the tax abatement did not exist. The weakness in the usefulness of this figure is obvious; if the activity would have occurred even without the abatement, the stated purpose of the abatement was probably not achieved. Thus, the nominal tax expenditure is, at best, a rough guess, and probably an overestimate of the actual “cost” of the programs. See “Evaluation of Incentive Effectiveness” on page 39 for further discussion of the difficulty in interpreting the nominal revenue foregone for incentive programs.

With this caution in mind, we note that using, AEG and Treasury estimates, the *nominal* tax expenditure due to the eight main tax incentives we evaluated was almost \$900 million in 2008—almost 5% of Michigan’s combined General Fund and School Aid Funds for FY 2007-2008. (See Table 2 below.)

TABLE 2. Nominal Revenue Forgone in Major Tax Incentives (2008, \$millions)

	Nominal Revenue Forgone
New Personal Property	\$25-125*
Renaissance Zones	\$142.38
Film Credits (2008 estimate)	\$148.80
OPRA	\$3.50
Brownfield Credits	\$31.06
Industrial Facilities Tax	\$310.00
MEGA	\$140.70
Commercial Rehabilitation	\$1-10*
TOTAL:	\$802-911

Source: Executive Budget Appendix on Tax Credits, Deductions, and Exemptions, 2008

* AEG estimates used for individual incentives for which no data is available

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1. As a rough calculus, we can estimate that a *bona fide* new professional or industrial job in this state, with pay and benefits that average \$50,000 per year, will result in about \$75,000 in additional personal income for the state, on which roughly \$6,000 in state taxes would be collected. Of course, as noted in the report, it is impossible given the current information to determine how many actual new jobs incentive programs have brought to the state, and therefore also impossible to determine the actual cost of incentives.

II. Inventory of Michigan Tax Incentive Programs

The State of Michigan's government has many programs and initiatives designed to aid, attract, and retain businesses in the state. This section provides basic information on the tax incentive programs designed to accomplish this goal by lowering business tax liability.

It is important to distinguish tax incentives, such as those listed in this section, from exempted parties. Though some of the following incentives may, in effect, eliminate a business's tax liability, the inventory in this section does not include a catalogue of the taxpayers, business, and industries that have been explicitly exempted from a certain tax. Rather, the tax incentives listed here are those means by which tax-liable businesses that meet certain criteria or engage in certain activities might reduce their tax burden.

INCENTIVE PROGRAMS IN MICHIGAN LAW

The Michigan Constitution requires uniformity in taxation of real and personal property not specifically exempt by law (see Article IX §3). This means that each tax incentive affecting business' property liability must be authorized by a specific law exempting property from taxation.

The tax incentives available to Michigan businesses are enacted either as stand-alone laws granting tax credits or abatements, or as provisions of the MBT. Many of the stand-alone provisions are economic development programs that target businesses engaging in incentivized activities such as creating or retaining jobs, moving into blighted areas, or that otherwise meet the specific requirements of a piece of tax legislation. These incentives can reduce a business' liability for property taxes, the MBT, and income taxes, among others.

Other incentive programs are not stand-alone provisions, but were included in the Michigan Business Tax Act, PA 36 of 2007. Such provisions are diverse but can have similar structures, targets, and effects to the stand-alone business tax incentives.

PURPOSES OF INCENTIVES

The tax incentives identified in Michigan statute generally appear to serve at least one of the following four purposes.

Address Cost Disadvantages. Incentives aimed at reducing the cost of doing business in Michigan for a particular type of business, either across an entire industry, or for those specific businesses that are more particularly sensitive to cost when making relocation decisions.

Revitalize Distressed Local Economies. Incentives dedicated to increasing business activity or improving the condition of property in a specially-designated geographic area—typically an area with a distressed economy.

Encourage Beneficial Behavior. Incentives meant to encourage a specific behavior that has benefits to society which are not fully captured by the business itself. Examples include actions meant to reduce pollution, increase charitable giving, and encourage investment in research and development.

Industrial Policy. Incentives that appear to target a specific industry or company that the government has chosen to aid, or to incentivize specific business activities that are not obviously beneficial to the broader economy, but reflect legislative opinions and priorities. Some of these incentives are very narrowly targeted and may only apply to one particular business in the state.

Table 3 below groups the 36 incentives that we’ve identified according to their main purpose of the four that we’ve defined above:

TABLE 3. Michigan Business Tax Incentives by Intended Purpose

Category	Number of Incentives		TOTAL
	<i>Independent Legislation</i>	<i>Michigan Business Tax</i>	
Address Cost Disadvantages	2	5	7
Revitalize Distressed Local Economies	5	1	6
Encourage Beneficial Behavior	5	9	14
Industrial Policy	1	8	9
Subtotals:	13	23	36

Analysis: Anderson Economic Group, LLC

TAX INCENTIVE INVENTORY

“Inventory of Michigan’s Business Tax Incentives” on page 10, lists and briefly describes all Michigan tax incentive programs. They are organized by purpose and type (i.e. general incentives or MBT credits).

Table 4: Inventory of Michigan's Business Tax Incentives

Main Purpose	Name	Eligible	Amount of Abatement
Address Cost Disadvantages			
	Industrial Facilities Tax Abatement <i>(PA 198 of 1974)</i>	Businesses engaging in manufacturing or another qualified activity that require renovations or new construction to update aging facilities and/or engage in high-tech activities	Exemption from ad valorem real and/or personal property taxes for a period of 1-12 years (as determined by the local government)
	Michigan Economic Growth Authority Tax Credits <i>(PA 24 of 1995)</i>	Businesses engaging in a qualified high-technology business (including film production after PA 87 of 2008) that propose to maintain or create the required amount of jobs in Michigan and certify that the proposed project would not occur absent the MEGA grant	Credit determined by the Michigan Economic Growth Authority (MEGA) according to a list of factors, including number of jobs created, wage level, economic impact, etc.; credit may not be certified for longer than 20 years.
MBT Incentives			
	The "Start-Up" Abatement <i>Section 415</i>	Must own/operate a "qualified start-up business," as certified by the Michigan Economic Development Corporation (MEDC) without business income for two consecutive tax years	Credit equal to the amount of taxes owed after the 2nd year, as well as any consecutive years after where business income is not greater than the tax liability on the year where no business income was earned; a credit may not be claimed for more than 5 years.
	"Early Stage Venture Investment Incentive" <i>Section 419</i>	Taxpayer must have been issued or transferred all or a portion of an early stage venture investment tax voucher certificate from the Michigan early stage venture investment corporation.	Early stage venture investment tax voucher may be applied to the taxpayer's MBT liability.
	MEGA Credit Extension <i>Section 431</i>	Taxpayer must have received an authorized business certificate by the Michigan Economic Growth Authority.	Refundable credit against tax imposed by this act that is determined by MEGA but is not to exceed the payroll by new or retained employees multiplied by the tax rate, renewable for a period of time not to exceed 20 years.
	SBT Credit Extension <i>Section 437</i>	Taxpayer must have unused credits, previously approved under PA 228, 1967 or must be able to claim credits under former PA 228, 1967, which can be applied for through the Michigan Economic Growth Authority.	Credit is equivalent to the existing balance of credits previously approved or 10% of the taxpayer's investment (paid or accrued) on a qualified property (or as determined by MEGA).
	Michigan Entrepreneurial Credit <i>Section 441</i>	Taxpayer must have no more than \$25M in gross receipts, have transferred/created not less than 20 new jobs and a capital investment of at least \$1.25M in the previous tax year, and must not be a retail establishment as defined in the standard industrial classification code, section 52-59 and 70.	Credit equal to 100% of the taxpayer's liability under the MBT attributable to increased employment and is valid for 3 years.
Revitalize Distressed Local Economies			
	Brownfield Tax Credits <i>(PA 381 of 1996)</i>	Property must be located in an approved Brownfield Redevelopment Authority or "economic opportunity zone" or by owned by a land bank.	Credit good towards business tax liability; size of the credit is determined by the Michigan Economic Growth Authority (MEGA), but may be granted for up to 10% of a taxpayer's investment in brownfield assessment and remediation for up to 10 years.
	New Personal Property <i>(PA 328 of 1998)</i>	Businesses owning property located in distressed areas, designated by establishment of blighted districts by local government	Credit equal to 100% of property tax liability

Main Purpose	Name	Eligible	Amount of Abatement
	New Market Tax Credits <i>(federal credits)</i>	Banks, individuals and corporations that make investments in Community Development Entities for the purpose of attracting private investment to low-income communities	Credit is equal to a reduction in tax liability totaling 39% of amount of investment over a 7-year period
	Obsolete Property Rehabilitation Tax Abatement <i>(PA 146 of 2000)</i>	Property must be commercial or commercial housing and in an established OPRA district and be deemed obsolete by a community assessor	Credit freezes property's tax liability at the taxable value prior to rehabilitation for a period of 1-12 years (as determined by the local government)
	Renaissance Zones <i>(PA 376 of 1996)</i>	Eligible residents and business owners must not be "substantially" delinquent in state and local taxes (determined by taxing local unit) and be located in a Renaissance Zone (as established by the Michigan State Administrative Board)	Credit waives all business and resident site-specific state and local taxes (including city income tax, general property taxes, and personal income tax, among others for up to 15 years
<i>MBT Incentives</i>			
	Renaissance Zone Extension <i>Section 433</i>	Business must be located in and conducting business within a renaissance zone.	Credit is equal to the taxpayer's liability to the extent and duration indicated in the Michigan Renaissance Zone Act (PA 376, 1996)
Encourage Beneficial Behavior			
	Commercial Rehabilitation Tax Abatement <i>(PA 210 of 2005)</i>	Property must be intended for commercial (or multi-family residential) use, be located in a commercial rehabilitation district, and be deemed sufficiently obsolete by a community assessor	Credit freezes property's tax liability at the taxable value prior to rehabilitation for a period of 1-10 years (as determined by the local government)
	State Historic Preservation Tax Credit <i>(MBT Section 455 and Section 266 of PA 281 of 1967)</i>	Historic building, structure, site, open space, object, etc. (residential or commercial) located in a historic district undergoing historic preservation and/or restoration as approved by the State Historic Preservation office.	Credit good for up to 25% of Single Business or Income Tax liability for expenditures associated with restoration or rehabilitation
	Michigan NextEnergy Authority Credits <i>(PA 593 of 2002)</i>	Eligible property includes alternative energy systems/vehicles and personal property belonging to alternative energy technology businesses (or researching such technologies); eligible businesses include those solely involved in the research, development, or manufacture of alternative energy technology	Exemption from the property tax or credits towards the business tax.
	Water Pollution Control Credit <i>(PA 451, 37 of 1994)</i>	Facilities must be designed/operated primarily for the control, capture, and removal of industrial waste from water	Credit equal to 100% of property and sales tax liability
	Air Pollution Control Credit <i>(PA 451, 59 of 1994)</i>	Facilities must be designed/operated primarily to collect/dispose of air pollution that, if released, would be harmful to Michigan's public health and/or property	Credit equal to 100% of property and sales tax liability
<i>MBT Incentives</i>			
	"The R&D Incentive" <i>Section 405</i>	Qualify and owe taxes under the MBT	Credit equal to 1.9% of research and development expenses in Michigan in the tax year (not exceeding 75% of liability when combined with Section 403)
	"R&D Donation Credits" <i>Section 407</i>	Michigan Economic Growth Authority Approval; donation to a business engaged in R&D w fewer than 50 employees	Credit equal to 30% of taxpayer's eligible contribution to eligible business (not to exceed \$300,000)

Main Purpose	Name	Eligible	Amount of Abatement
	"Higher Learning Donation Credits" <i>Section 421</i>	Taxpayer must not be subject to the income tax act of 1967 and must donate to eligible charities that support higher learning, including to public libraries, broadcasting stations, institutions of/supporting higher learning, and/or the Michigan Housing and Community Development Fund.	Credit equal to 50% of the amount of eligible charitable contributions made by the taxpayer during the tax year ; credit not to exceed 5% of taxpayer liability or \$5000.00.
	"Cultural Institute Donation Credits" <i>Section 422</i>	Taxpayer must make charitable contributions in excess of \$50,000.00 (in aggregate) to benefit an art, historical or zoological institute.	Credit against taxpayers MBT liability is equal to 50% of the amount of eligible charitable contribution in excess of \$50,000.00, not to exceed \$100,000 for any tax year.
	"Foundation Donation Credit" <i>Section 425</i>	Taxpayer must not have claimed a credit under Section 261 of the income tax act of 1967 and must have donated to an endowment fund of a community or education foundation	Credit equal to 50% of the taxpayer's contribution to the endowment fund, not to exceed 5% of the taxpayer's liability for the previous year or \$5000.00.
	"Shelter Donation Credits" <i>Section 427</i>	Taxpayer must not have claimed a credit under Section 261 of the income tax act of 1967 and must have made a donation to an entity (which is tax-deductible according to the IRS) whose primary purpose is to provide overnight accommodation and/or food for the indigent.	Credit equal to 50% of the taxpayer's contribution to an eligible entity, not to exceed 5% of the taxpayer's liability for the previous year or \$5000.00.
	NextEnergy Credit Extension <i>Section 429</i>	Taxpayer must be certified under the Michigan next energy authority act or be a qualified alternative energy entity.	Credit is equal to the amount the taxpayer's liability attributable to "qualified business activity" exceeds the baseline liability for that activity (for those certified under the Michigan next energy authority act) or a refundable credit equal to the taxpayer's qualified payroll amount (if alternative energy entity)
	Historic Rehabilitation Incentive <i>Section 435</i>	Taxpayer must have a certified rehabilitation plan for the rehabilitation of a historic resource	Credit worth 25% of eligible expenditures on the rehabilitation project.
	"Inventory Acquisition Incentive" <i>Section 445</i>	Taxpayer must be a new motor vehicle dealer.	Credit is equal to 2% of the amount paid to acquire new motor vehicle inventory in the tax year, not to exceed \$10,000.00 and capable of being carried forward to subsequent tax years.
Industrial Policy			
	Film Incentives <i>(PA 79 of 2008)</i>	Recipients must be deemed eligible by the Michigan Film Office as film production companies doing a project in Michigan.	Amends Income Tax legislation to offer a credit against income tax liability equal to 40% of direct expenditures (or 42% if filmed in a core community as defined in Section 2 of the OPRA Act), not to exceed liability for the tax year.
MBT Incentives			
	Film Expenditure Incentives <i>Section 455</i>	Recipients must be deemed eligible by the Michigan Film Office as film production companies doing a project in Michigan.	Credit towards MBT liability equal to 40% of direct film expenditures (or 42% if filmed in a "core community" as defined in Section 2 of the OPRA act).
	Motorsport Complex Credit <i>Section 409</i>	Qualify and Owe taxes under MBT; engage in capital expenditures or renovation/construction between 2008 and 2013; own/operate a motorsport complex	Credit equal to the amount of renovation/construction etc., not to exceed 1700M of the taxpayer's liability

Main Purpose	Name	Eligible	Amount of Abatement
	Film Production Investment Incentives <i>Section 457</i>	Recipients must be deemed eligible by the Michigan Film Office as film production companies, and must invest/expend at least \$250,000 for a qualified film/digital media infrastructure project in the state (after December 31, 2008).	Credit equal to 25% of the taxpayer's base investment (in the qualified media infrastructure project), not to exceed \$20M in total credits allocated in any one tax year.
	"Stadium Owners Incentive" <i>Section 410</i>	Collectively or individually own/operate more than one facility/stadium utilized by at least 14,000 patrons for sporting events	Credit equal to 65% of taxpayer's liability (2008-2010), 45% of liability (2011), and 25% of liability (2012)
	"Industrial Personal Property Credits" <i>Section 413</i>	Qualify and owe taxes under the MBT; owns/operates and industrial facility, natural gas pipelines classified as "utility personal property" or personal property of a telephone company	Credit is refundable and is equal to 35% of taxes paid on industrial personal property, 23% of property taxes paid on telephone company personal property, or 10% of taxes paid on utility personal property (natural gas pipelines) levied after December 31, 2008
	"Steel Mill Incentive" <i>Section 439</i>	Taxpayer must consume low-grade hematite in an industrial or manufacturing process they engage in as their business activity.	Credit against MBT liability is equal to \$1.00 per ton of low-grade hematite consumed in business activity and, though not refundable, credit may be carried over to future years for a maximum of 5 years.
	"Big-Box Store Incentive" <i>Section 447</i>	Taxpayer must maintain headquarters in the state, operate 17,000,000 sq. ft of enclosed retail space and 2,000,000 sq. ft of warehouse space in which all of the following are sold and 35% of sales can be attributed to: food products, health and beauty products, medications, libations, pet products, and carbonated beverages.	Credit against MBT liability equal to .535% of taxpayer's compensation in this state, not to exceed \$4.5M.
	"The Little, Big-Box Store Incentive" <i>Section 449</i>	Taxpayer must maintain headquarters in the state, operate 2,500,000 sq. ft of enclosed retail space and 1,400,000 sq. ft of warehouse space in which all of the following are sold and 35% of sales can be attributed to: food products, health and beauty products, medications, libations, pet products, and carbonated beverages.	Credit against MBT liability equal to .125% of taxpayer's compensation in this state, not to exceed \$300,000.00.

Source: AEG research of Michigan Statutes, February 2009

Note: Statutes can be amended without notice; policy summary is not intended as tax advice. Additionally, labels on incentive programs are descriptive and may not appear in the statutes.

III. Analysis of Selected Incentive Programs

In this section we identify the eight Michigan tax incentive programs we think are most important in Michigan's economic development efforts; note the key purposes that seem to underlie these programs; and provide data and an evaluation of each.

Specifically, where information is available, for each incentive examined in this section we discuss:

- The criteria used to award incentives.
- Which groups of stakeholders have a voice in the process of awarding incentives.
- The relative tax burden in Michigan and other states competing for targeted employers.
- The mobility of targeted employers.
- Any available information on the legislative intent of the incentive.
- The accountability faced by employers selected to receive incentives, including enforcement mechanisms that reduce or eliminate incentives if conditions are not met; whether the criteria for selection for the incentives is verifiable; and whether there is a formal feedback system where such data is collected and evaluated.
- The size of the incentives compared to other considerations faced by employers.
- The duration of the incentives.
- Any credible independent evidence of the incentives' effectiveness in attracting net new jobs to the state.

See "Characteristics of Selected Michigan Tax Incentives" on page 1 of Appendix A, for a complete matrix of information on the selected incentives listed above.

EIGHT KEY BUSINESS TAX INCENTIVES

The eight incentives we selected for further analysis include:

1. PA 198 (1974): Industrial Property Tax Abatement
2. PA 24 (1995): Michigan Economic Growth Authority Act
3. PA 381 (1996): Brownfield Redevelopment Financing Act
4. PA 210 (2005): Commercial Rehabilitation Tax Abatement
5. PA 146 (2000): Obsolete Property Rehabilitation Act
6. PA 79 (2008) and Section 455 of the Michigan Business Tax: Film Incentives
7. PA 328 (1998): New Personal Property
8. PA 376 (1996): Renaissance Zone Act

We selected these eight incentives in particular because they consistently appeared in the promotional materials of economic development corporations across the state.¹ We summarize our judgement of which economic development purposes each incentive seems to target in Table 5 below.

TABLE 5. Selected Business Tax Incentives and Underlying Purposes

Incentive	<i>Reduce Cost</i>	<i>Revitalize Distressed Local Economy</i>	<i>Encourage Beneficial Business Activity</i>	<i>Industrial Policy</i>
1. IFT Exemption	✓		✓	
2. MEGA Grants	✓			✓
3. Commercial Rehabilitation			✓	
4. Brownfield Tax Credits		✓		
5. Renaissance Zones		✓		
6. OPRA		✓	✓	
7. New Personal Property		✓	✓	✓
8. Film Incentives				✓
TOTAL:	2	4	4	3

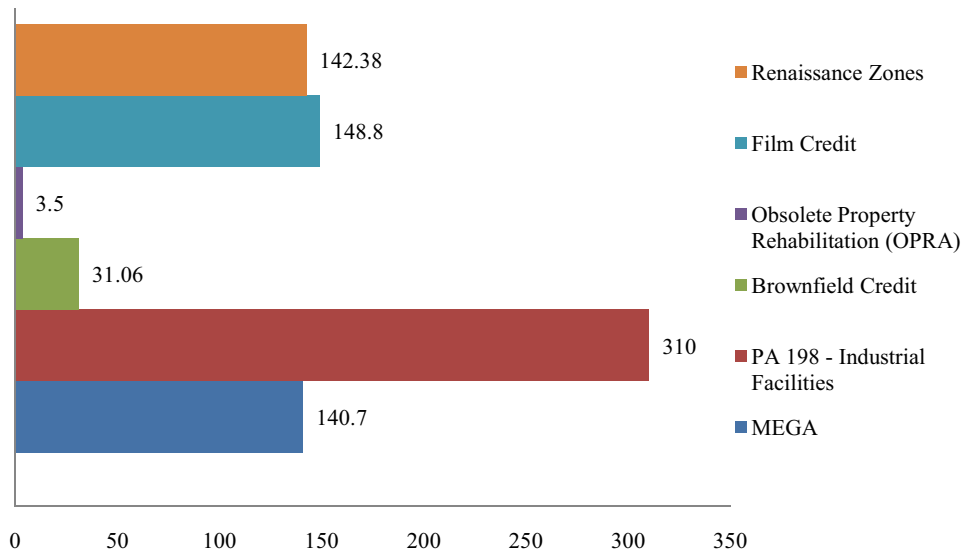
Analysis: Anderson Economic Group, LLC

Accurate information is not reliably collected for most incentives. Using the nominal amount of abated tax revenue reported in the Office of the Governor’s *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*, however, it is possible to estimate the relative nominal size of the major incentives identified above (see Figure 1 below). The nominal amount, as defined by the

1. Economic development corporations we contacted or gathered materials from include the Michigan Economic Development Corporation, the Detroit Economic Development Corporation, the City of Ypsilanti Planning and Development Department, the Iron County Economic Development Corporation, the Lansing Economic Development Corporation, Midland Tomorrow, the Middle Michigan Development Corporation, Saginaw Future, Inc., Oakland County business services, and the Enterprise Group of Jackson

Executive Budget Appendix on Tax Credits, Deductions, and Exemptions, is the dollar amount decrease in tax liability as a result of the identified incentive programs. The majority of these estimates were based on tax return data by those entities receiving the abatements. They are aggregated to derive the estimated revenue impact of each incentive program. These estimates assume that elimination of a program does not affect economic behavior or overall macroeconomic conditions, and that each expenditure is independent of any other—ignoring interaction effects and assuming all else remains constant. Thus, the reported “tax expenditure” is not the actual cost to the state. See “Evaluation of Incentive Effectiveness” on page 39.

FIGURE 1. Relative Size of Selected Tax Incentives (\$millions, 2008)



Tax incentive "size" estimated as total forgone revenue based on current tax law, and does not consider behavioral effects.

Note: Commercial Rehabilitation and the New Personal Property programs were not included because their budgetary effect could not be quantified with available data. Since it is an extension of the OPRA, the Commercial Rehabilitation incentive is likely of a similar scale, though may be somewhat larger as eligibility requirements for the incentive are less restrictive.

Data Source: *Tax Expenditure Appendix, Executive Budget FY 2008*

Analysis: *Anderson Economic Group, LLC*

While acknowledging that each incentive’s revenue impact may not be as substantial as it appears in the *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*, the size of incentive programs relative to one another can nevertheless still be inferred. For example, it is clear that the IFT abatement is by far the largest incentive program, exempting nearly three times the taxable value of the film incentives or MEGA grants—the next largest incentives.

**PA 198:
INDUSTRIAL
FACILITIES TAX
ABATEMENT**

The IFT abatement, commonly referred to as PA 198, is one of the oldest tax incentive programs in Michigan. Prompted by declining investment in industrial facilities through the 1960's, which some feared was the result of property taxes too high for companies to restore facilities in Michigan considering the competition from strengthening foreign markets. Specifically, the Chrysler Corporation's reluctance to complete needed restorations to the Mack Avenue stamping plant spurred Michigan's consideration of tax incentives; in an effort to retain the state's manufacturing jobs, PA 198 was passed.

Criteria for Incentive. To be eligible for the IFT abatement, an applicant property (disregarding special cases) must:

1. lie within a plant rehabilitation or industrial redevelopment district (created by the City Council's own initiative or at the request of the owners of at least 75% of the area's industrial property);
2. be used for manufacturing, agricultural processing, processing of good or services, or for a high-technology activity;
3. require construction, restoration, or replacement to prevent the facility from being considered "obsolete" (defined as less than economically efficient).

Further, in order to establish a plant rehabilitation or industrial redevelopment district, at least 50% of the industrial property in the area must be considered "obsolete," as the law was written to encourage companies in need of improved facilities to restore existing Michigan locations, instead of relocating to other states.

Targeted Industries. Though more than 17,000 applications for the Industrial Facilities Property Tax Abatement have been received since 1981 state-wide, those facilities awarded the abatement must engage in an approved industrial use (i.e. manufacturing and warehousing, high-tech activities (defined by MEGA Act), R&D, creation of biodiesel fuels, privately-operated utilities (hydroelectric dams and electric generating plants, amongst others).

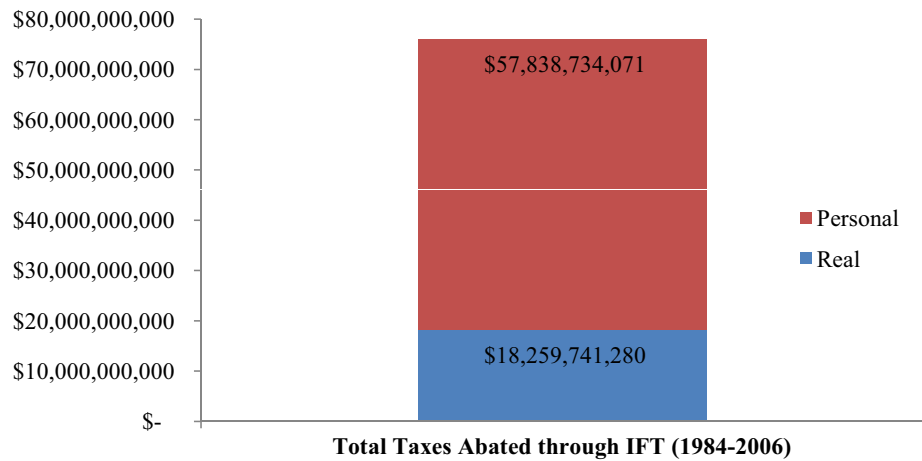
In addition to the aforementioned industries approved for the abatements, amendments to the act have generally targeted specific businesses, including Ryder Supply Chain Solutions, the Detroit branch of the Federal Reserve Bank of Chicago, and Dearborn Industrial Generation (at the Rouge Steel plant). Note that these amendments have sometimes been written for the benefit of non-manufacturing businesses that the act wasn't originally intended to target.

Size and Duration of Incentive. Recipients of the industrial facilities tax abatement are exempt from ad valorem real and personal property taxes on the applicant property (though not exempt from taxes on the land where the facility is located). Though the number of years that an IFT abatement is authorized is determined on a per-project basis by the local unit of government, PA 198 requires that the tax credit be certified for no longer than 12 years (though

exceptions for individual projects are made at the local government’s discretion). In general, for a new facility or speculative building, taxes on a recipient property after the tax credit is applied will total 50% of what the property tax otherwise would be, in addition to the State Education Tax (which certificate holders must pay despite the IFT abatement).

From 1984-2006, 16,493 projects, amounting to over \$76 billion in taxable value of property abated, received the IFT abatement.¹ This figure includes \$18 billion in abated real property, as well as almost \$58 billion in abated personal property (see Figure 2).

FIGURE 2. Total Nominal Abatement Through the IFT (1984-2006)



Note: Total taxes abated refer to the nominal amount of abated property as a result of the IFT.
Source: Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan, 2007* (base data: Michigan Department of Treasury).

Regional Differences in Abatements. According to the most recently compiled data in the Citizen’s Research Council’s *Survey of Economic Development Programs in Michigan*, 713 projects were awarded IFT abatements in 2006 alone, amounting to \$3 billion dollars of abated taxable value.² Additionally, the amount of taxable value granted exemption from taxes through the IFT varies dramatically from county to county. While most Michigan counties grant IFT exemptions on 0-5% of their county’s total taxable value, three—Schoolcraft, Allegan, and Saginaw—granted IFT exemptions worth more than 30% of their

1. Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan, 2007*, pg. 52 (base data: Michigan Department of Treasury).

2. Ibid., pg. 52.

counties' taxable value.¹ See Table 6 on page 20 for more information and county by county percentages of total taxable value abated through the IFT exemption. See Figure 3, "Real Industrial Property and IFT-Exempt Property in Michigan Counties, 2006" on page 22 for a detailed map of industrial real property and IFT abatements granted in Michigan.²

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1. AEG analysis (base data (taxable values): Michigan Department of Treasury, *Commercial, Industrial, and Utility Property Tax Report*, 2006; base data (IFT exemptions): Office of the Governor and the Michigan Department of Treasury, *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*, 2006).
 2. Data on industrial personal property is not available on a county-by-county basis. We show the geographic distribution of industrial real property as broadly indicative of the location of both real and personal industrial property in the state.

Table 6: Total Taxable Value Exempt by County, 2006

County	Real and Personal Property		Tax Expenditures		Rank
	Total Taxable Value	IFT-Exempted Taxable Value	% of Total Taxable Value Exempt		
Alcona	\$687,301,740	\$0	0.00%		
Alger	\$287,083,194	\$113,000	0.04%		72
Allegan	\$65,617,968	\$25,645,000	39.08%		2
Alpena	\$867,352,662	\$8,112,000	0.94%		45
Antrim	\$1,593,100,998	\$0	0.00%		
Arenac	\$508,527,559	\$1,540,000	0.30%		59
Baraga	\$188,261,493	\$0	0.00%		
Barry	\$1,707,825,147	\$7,707,000	0.45%		56
Bay	\$2,885,863,806	\$144,357,000	5.00%		11
Benzie	\$943,613,673	\$0	0.00%		
Berrien	\$5,842,412,095	\$100,363,000	1.72%		37
Branch	\$1,176,543,411	\$55,737,000	4.74%		12
Calhoun	\$3,470,883,407	\$225,049,000	6.48%		7
Cass	\$1,542,744,736	\$23,121,000	1.50%		39
Charlevoix	\$1,866,066,831	\$101,829,000	5.46%		8
Cheboygan	\$1,223,517,312	\$0	0.00%		
Chippewa	\$897,212,364	\$1,869,000	0.21%		61
Clare	\$922,165,384	\$5,783,000	0.63%		53
Clinton	\$2,256,762,119	\$18,343,000	0.81%		48
Crawford	\$543,015,260	\$2,775,000	0.51%		55
Delta	\$1,001,249,317	\$19,343,000	1.93%		31
Dickinson	\$825,715,132	\$14,897,000	1.80%		34
Eaton	\$3,229,545,910	\$150,525,000	4.66%		13
Emmet	\$2,559,443,004	\$2,891,000	0.11%		67
Genesee	\$11,320,948,189	\$139,230,000	1.23%		41
Gladwin	\$861,570,620	\$6,279,000	0.73%		50
Gogebic	\$407,215,873	\$906,000	0.22%		60
Grand Traverse	\$3,881,075,544	\$7,909,000	0.20%		62
Gratiot	\$813,831,266	\$28,137,000	3.46%		21
Hillsdale	\$1,250,345,615	\$56,648,000	4.53%		14
Houghton	\$602,627,086	\$5,075,000	0.84%		47
Huron	\$1,472,665,326	\$56,841,000	3.86%		19
Ingham	\$7,522,177,686	\$179,036,000	2.38%		27
Ionia	\$1,394,389,402	\$30,206,000	2.17%		29
Iosco	\$1,047,837,777	\$50,000	0.00%		76
Iron	\$385,333,562	\$165,000	0.04%		71
Isabella	\$1,409,975,482	\$12,617,000	0.89%		46
Jackson	\$4,220,570,890	\$166,939,000	3.96%		18
Kalamazo	\$7,546,721,917	\$135,285,000	1.79%		35
Kalkaska	\$680,131,017	\$2,996,000	0.44%		57
Kent	\$20,223,487,574	\$614,658,000	3.04%		24
Keweenaw	\$96,671,891	\$0	0.00%		
Lake	\$449,039,474	\$142,000	0.03%		73
Lapeer	\$2,989,701,382	\$57,151,000	1.91%		33
Leelanau	\$1,996,601,598	\$0	0.00%		
Lenawee	\$3,101,144,428	\$100,337,000	3.24%		23
Livingston	\$8,348,502,046	\$34,801,000	0.42%		58
Luce	\$163,374,240	\$11,500,000	7.04%		5
Mackinac*	\$801,024,891	\$1,281,640	0.16%		65
Macomb	\$30,373,918,359	\$6,775,000	0.02%		75
Manistee	\$961,141,383	\$11,375,000	1.18%		42
Marquette	\$1,589,526,919	\$14,988,000	0.94%		44
Mason	\$1,309,695,171	\$55,507,000	4.24%		17
Mecosta	\$1,134,815,688	\$76,406,000	6.73%		6
Menominee	\$545,879,679	\$18,390,000	3.37%		22
Midland	\$3,617,040,695	\$132,212,000	3.66%		20
Missaukee	\$471,477,610	\$3,150,000	0.67%		52
Monroe	\$5,888,104,844	\$262,609,000	4.46%		15
Montcalm	\$1,574,397,271	\$36,867,000	2.34%		28
Montmorency	\$436,587,697	\$360,000	0.08%		68
Muskegon	\$4,237,701,230	\$180,884,000	4.27%		16
Newaygo	\$1,261,209,460	\$19,589,000	1.55%		38
Oakland	\$62,133,415,235	\$828,118,000	1.33%		40
Oceana	\$943,150,042	\$7,218,000	0.77%		49
Ogemaw	\$754,194,290	\$533,000	0.07%		69
Ontonagon	\$207,353,007	\$3,577,000	1.73%		36
Osceola	\$625,999,069	\$33,973,000	5.43%		9
Oscoda	\$342,012,558	\$96,000	0.03%		74
Otsego	\$1,178,509,814	\$2,041,000	0.17%		64
Ottawa	\$9,027,094,310	\$643,918,000	7.13%		4
Preque Isle	\$574,213,724	\$1,113,000	0.19%		63
Roscommon	\$1,224,506,854	\$1,485,000	0.12%		66
Saginaw	\$504,003,270	\$166,083,000	32.95%		3
Sanilac	\$1,330,951,991	\$71,092,000	5.34%		10
Schoolcraft	\$299,659,340	\$126,315,000	42.15%		1
Shiawassee	\$1,710,175,822	\$8,922,000	0.52%		54
St. Clair	\$6,173,701,797	\$3,266,000	0.05%		70
St. Joseph	\$1,638,877,080	\$11,594,000	0.71%		51
Tuscola	\$1,351,878,756	\$13,292,000	0.98%		43
Van Buren	\$2,594,482,671	\$54,876,000	2.12%		30
Washtenaw	\$14,629,742,407	\$280,902,000	1.92%		32
Wayne*	\$50,572,359,004	\$1,299,709,626	2.57%		26
Wexford	\$909,599,769	\$25,507,000	2.80%		25
MI Total:	\$332,206,166,114	\$6,960,931,266	2.10%		

*The total IFT-Exempted taxable value for Mackinac and Wayne counties was inputted from the product of each county's total eligible property and an average of the percent of eligible property granted exemptions in three surrounding counties with similar amounts of total property; for Mackinac, the surrounding counties references were Chippewa, Emmet, and Cheboygan), and the surrounding counties referenced for Wayne county include Washtenaw, Monroe, and Oakland.

Note: Counties without any IFT exemptions were not included in the rankings.

Accountability Mechanisms. The IFT abatement holds recipients accountable by establishing a system through which criteria for the abatement are verified. Specifically, a general description of the applicant property, as well as a time schedule for restorations/construction must be submitted with the initial application, after which an assessor assesses the property in order to determine its taxable value. This process is intended to verify that the facility is in an eligible district and that renovations/construction warranting the exemption will occur.

Additionally, PA 198 allows the local legislative body to revoke an IFT abatement if the property does not meet required conditions. For example, an exemption might be revoked if construction is not completed within two years after the effective date of the certificate, replacement, restoration, or construction has not occurred within six years after the credit's issue date (unless these dates were extended or circumstances beyond the holder's control prevented construction), or if the certificate holder has failed to proceed with the project.

Stakeholder Concerns. Since an industrial property receiving the IFT abatement is generally responsible for 50% of what the property tax otherwise would be, (plus the State education tax), the nominal value of that property's taxes allocated to the state, city, township, village, local school districts, county, and authorities (in the proportions required by law for the disbursement of property taxes) are each reduced as a result of the abatement.

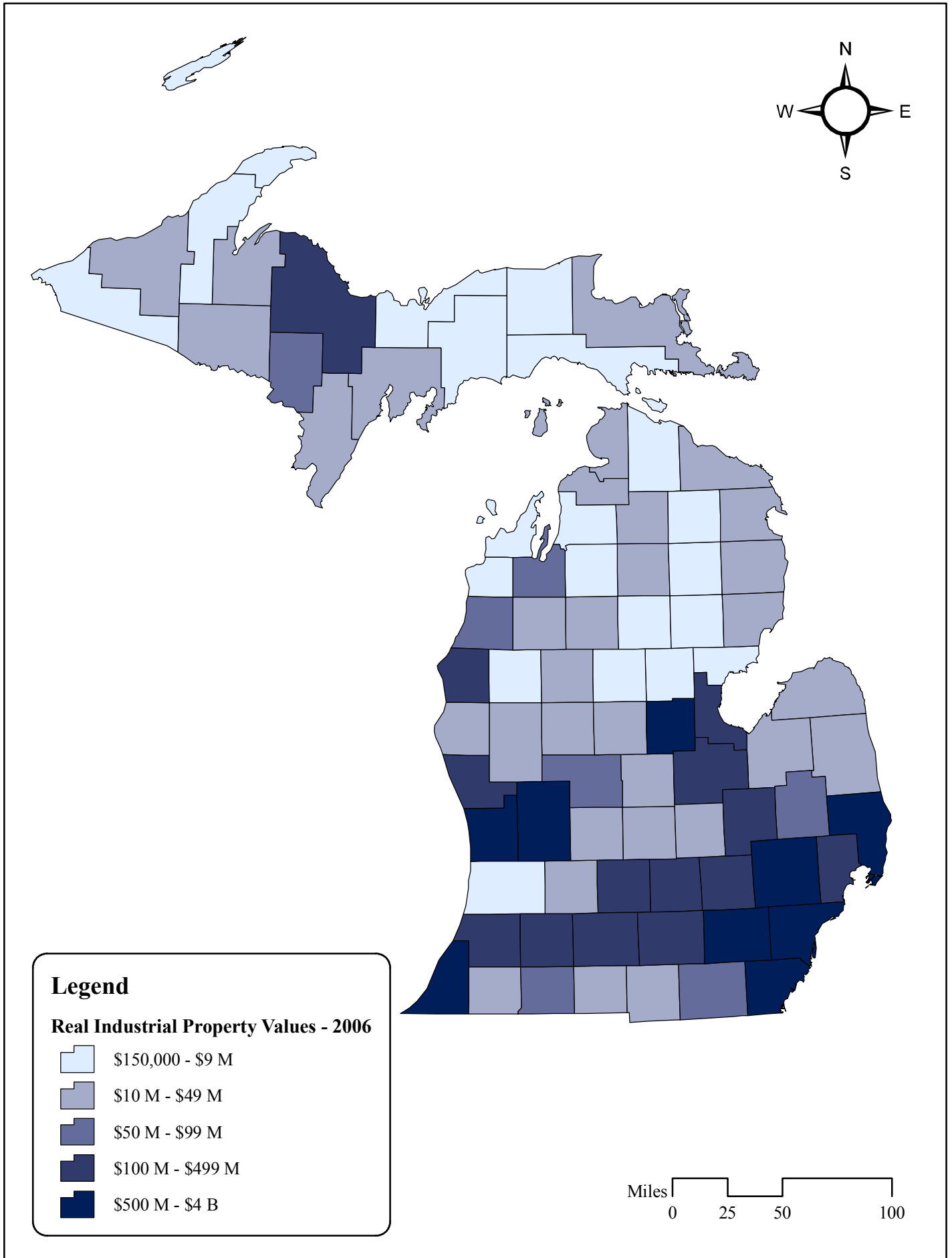
Procedurally, tax abatements are allocated as follows: upon receipt of a property's application for the IFT abatement, the legislative body of the relevant local government must first grant the applicant, the assessor, and a representative of the affected taxing units an opportunity for a hearing. Within 60 days, the legislative body must then determine whether or not the facility complies with the requirements in PA 198, and approve or disapprove the application. Approved applications must be forwarded to the State Tax Commission in time for the facility to receive an abatement certificate effective in the following year. Since this procedure does not explicitly require a public hearing, the number of stakeholders directly involved in the dissemination of awards is small.

Evidence of Impact on Employment and Economic Activity. The only existing job-creation figures for this program are self-reported, and must therefore be taken as an upper-bound when considering the tax abatement's effectiveness. According to the Michigan Senate Fiscal Agency, PA 198 has accounted for 16,500 projects, 1.3 million jobs retained, 500,000 jobs created and \$81 billion invested.¹ Further, the Department of Treasury credits the Industrial Facility Tax Abatement with the creation of 327,820 new jobs between 1984 and 2006.²

1. Senate Fiscal Agency, *State Notes*, 2005.

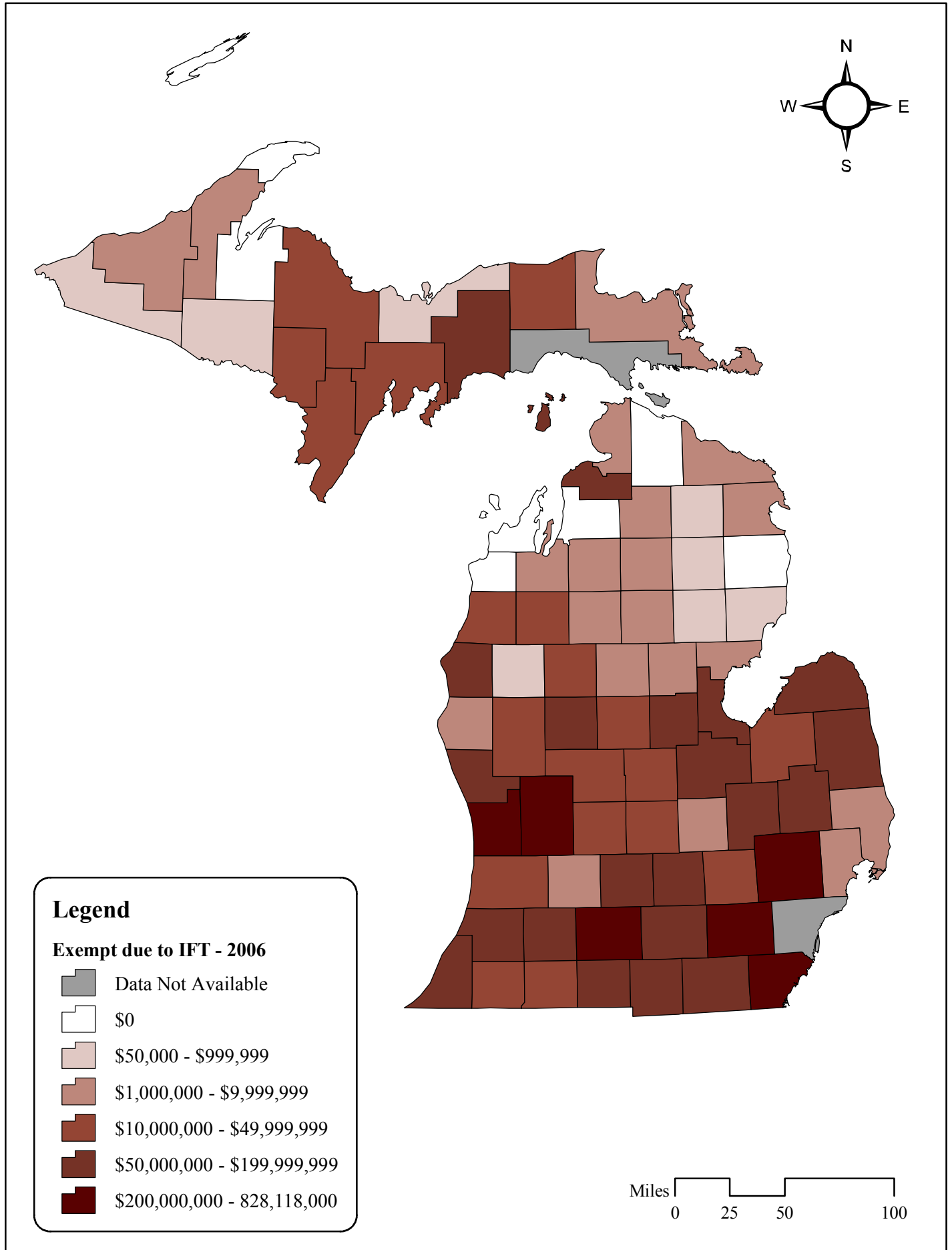
2. Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan*, 2007, pg. 52.

Figure 3 - Real Industrial Property and IFT-Exempt Property in Michigan, 2006



Source: Base map provided by ESRI, Inc. with analysis by Anderson Economic Group, LLC 2009.
Base data provided by the Michigan State Tax Commission, 2006.

Figure 3 (Continued) - Real Industrial Property and IFT-Exempt Property in Michigan, 2006



Source: Base map provided by ESRI, Inc. with analysis by Anderson Economic Group, LLC 2009.
Base data provided by the Michigan State Tax Commission, 2006.

**PA 24 (1995)
MICHIGAN ECONOMIC
GROWTH AUTHORITY
ACT**

PA 24 (1995) established the Michigan Economic Growth Authority (MEGA). The MEGA Act additionally created tax incentive opportunities for high-technology business or any investments expected to yield a significant amount of job creation and/or attract/grow companies in Michigan's rural areas. Originally a value-added tax abatement under Michigan's SBT, the MEGA tax credit now acts as a business income tax credit under the recently-enacted MBT.

Criteria for Incentive. In order to be eligible for tax credits under the MEGA Act, an applicant business must:

1. maintain or create jobs in manufacturing, mining, research and development, wholesale and trade, or office operations;
2. create at least 50 full-time jobs in Michigan above current employment levels and maintain 50 for a least a year (assuming an existing in-state presence) or, if previously out-of-state, create at least 100 full-time, in-state jobs and maintain 100 of them for each year the credit is awarded (unless exempt);
3. gain the local government's "staff, financial, or economic commitment," which is generally demonstrated through award of IFT exemptions.¹

In addition to these requirements, the MEGA Act mandates that tax credit recipients certify that projects outlined in the tax credit application (demonstrating the business's strategy for retaining/creating jobs and expanding the business) would not have been acted on absent the MEGA grant's authorization.

Targeted Industries. The desire to encourage high-technology businesses, including those in manufacturing, mining, research and development, wholesale and trade, and office operations were the initial impetus of the MEGA Act. Subsequent amendments to the program, however, have continued to increase the tax credits' inclusivity and broaden the range of eligible industries (while some exclusively benefit an individual business's interests). For example, PA 248 (2003) liberalized the MEGA Act's eligibility criteria and increased the number of credits available to "rural businesses." PA 283 (2006) decreased business wage requirements.

Size and Duration of the Incentive. The MEGA Act specifies that the size and duration of tax credits awarded through the program must depend on numerous project elements that businesses are asked to describe in their tax credit applications, including:²

1. number of jobs created or retained;
2. wage level of jobs created or retained relative to other similar businesses;
3. total capital investment planned;

1. Citizens Research Council of Michigan, *Survey of Economic Development Programs*, 2007, pg. 53.

2. Ibid.

4. cost differential associated with maintaining/creating jobs in Michigan relative to another location;
5. potential impact of job retention/expansion proposed; and
6. cost of the credit.

Outside of these subjective considerations, the MEGA Act limits the authorization of a tax credit to 20 years. According to the Michigan Economic Development Corporation, the average term of a MEGA tax credit (among those granted between April 1995 and October 2006) is about 12 years.

The Michigan Economic Development Corporation further estimates that between April 1995 and October 2006, the estimated amount of taxes abated across all 299 MEGA grant projects totaled over \$2 billion.

Accountability Mechanisms. The MEGA Act lays out standards for revocation of tax credits. The Michigan Economic Growth Authority is responsible for determining that the criteria for the tax incentive, established in the agreement between the applicant business and MEGA, has been met prior to the extension of tax credits.¹ The statute states that any statements made by the eligible business (regarding number of jobs created, length requirement for job retention, etc) that prove to be in violation of the agreement between the business and MEGA may result in the revocation of either the business's designation as an authorized business, or in a reduction of future credits.²

Stakeholder Concerns. By statute, meetings of the Michigan Economic Growth Authority are conducted publicly, with public notice of the date, time, and place of the meeting. Additionally, records (or portions of records, less the material deemed confidential) are disclosed.³

Evidence of Impact on Employment and Economic Activity. According to self-reported data collected by the MEDC, the MEGA Act is credited with a "net estimated state impact" of more than approximately \$23 billion between April 1995 and October 2006, including a benefit of over \$16 billion as a result of retention projects.⁴ The MEDC goes on to report that its studies estimate a total of 395,183 jobs have been created through the 299 MEGA projects during this time period (120,864 of which were direct jobs created). These jobs are said to have resulted in more than \$100 billion in personal income and over \$15 bil-

1. MCL 207.808, §2)

2. MCL 207.808, §3c

3. MCL 207.805, §3

4. Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan*, 2007, pg. 55 (base data: Michigan Economic Development Corporation); note: the data cited by the MEDC is self-reported by MEGA recipients.

lion in capital investment. Again, self-reported data must be considered an upper-bound of the tax credit's economic impact and job creation. Even using these estimates, however, the implied government expenditures per job claimed exceed \$5,000. (See Figure 4, "Best Case Scenario: MEGA's Economic Impact (1995-2006)" on page 41).

**PUBLIC ACT 381
(1996): BROWNFIELD
REDEVELOPMENT
FINANCING ACT**

Public Act 381 (1996), known as the Brownfield Redevelopment Financing Act, established the Brownfield Redevelopment Authority to, “promote the revitalization, redevelopment, and reuse of certain property, including...tax reverted, blighted, or functionally obsolete property.”¹ Under the act, the Brownfield Redevelopment Authority was granted the ability to create Brownfield redevelopment districts and help to facilitate the execution of Brownfield plans for blighted and contaminated property across the state. Additionally, the Brownfield Redevelopment Authority was given the power to offer tax credits towards MBT liability for investments in Brownfield rehabilitation.

Criteria for Incentive. In order to qualify for the tax credits issued by the Brownfield Redevelopment Authority under the Brownfield Redeveloping Financing Act, applicant properties must be:

1. located in an approved Brownfield Redevelopment Authority district (or owned by a land bank);
2. undergoing construction, renovation, improvement, or other rehabilitation;
3. pursuing a Brownfield plan that may include environmental assessment, due care activities necessary to prevent the spread of contamination or the worsening of blight etc., and any clean-up or further activity deemed necessary by the Brownfield Redevelopment Authority.

Targeted Industries. Because the only criteria for a business receiving MBT tax credits under the Brownfield Redevelopment Financing Act relates to the property (blighted, contaminated, or otherwise designated a Brownfield) on which the business chooses to locate, the tax incentive doesn’t explicitly target any particular industry. Rather, as noted by the Citizen’s Research Council, the incentive is targeted at properties that were once inhabited by industrial or commercial sites, and now require assessment and possibly clean-up before redevelopment, regardless of industry intending to use the site.²

Size and Duration of the Incentive. The size and duration of tax incentives granted under the Brownfield Redevelopment Financing Act are highly discretionary, as each is determined on a case by case basis by the Brownfield Redevelopment Authority of the relevant locality. However, the legislation does place some restrictions on the credits awarded; Brownfield tax credits granted:

1. must be used towards MBT liability (though there is no restriction limiting the amount of a credit to the amount of a business’s liability);

1. MCL: 125.2651

2. Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan*, 2007, pg. 39.

2. must not exceed 10% of the taxpayer's investment in Brownfield assessment and remediation;
3. must be certified for no more than 10 years.

Between 2000 and 2006 the Michigan Economic Development Corporation estimates that approximately \$273 million in business tax credits have been awarded under the Brownfield Redevelopment Financing Act.¹

Accountability Mechanisms. Though the Brownfield Redevelopment Financing Act does provide accountability mechanisms for the officials elected to the Brownfield Redevelopment Authority (regarding procedure for their appointment, removal, etc.) there are no explicit accountability mechanisms regarding the tax credits themselves. Recipients must provide documentation of their expenses, however (as credits are awarded as a percentage of a taxpayer's investment in Brownfield assessment and remediation).²

Stakeholder Concerns. The Brownfield Redevelopment Financing Act does not require public hearings before projects are awarded credits (though local authorities might hold them), but does require a public hearing at the time the authority in a community is established. The governing body in the community is responsible for holding these public hearings so that those property owners, officials from taxing jurisdictions whose millages may be subject to capture, citizens, and taxpayers of the relevant municipality might be heard. After its establishment, the local Brownfield Authority approves applications for Brownfield credits on a project by project basis.³

Further, stakeholders have the right to knowledge of the Brownfield Authority's actions. All financial records of local authorities are public information, as established by the freedom of information act.⁴

Evidence of Impact on Employment and Economic Activity. Though state-wide economic analyses of Brownfield Redevelopment Financing projects have not been conducted, the Michigan Economic Development Corporation estimates that approximately \$3.8 billion dollars in private investment has been spurred as a result of the tax incentives offered under this act.⁵ This self-reported level of investment should be considered a ceiling when considering the amount of economic stimulus generated by the Brownfield tax incentives.

1. Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan*, 2007, pg. 41 (base data: Michigan Economic Development Corporation).

2. MCL 125.2665, §4.

3. MCL 125.2654, §

4. MCL 125.2655, §7

5. Ibid.

**PUBLIC ACT 146
(2000): OBSOLETE
PROPERTY
REHABILITATION ACT**

Public Act 146 (2000), known as the Obsolete Property Rehabilitation Act (OPRA) created property tax incentives to encourage the rehabilitation and reuse of structures in certain pre-determined “qualified locations” deemed sufficiently blighted or structurally obsolescent. As a result of the act, rehabilitation projects are not discouraged by the additional taxes that would result from increasing a property’s value.

Criteria for Incentive. OPRA requires that an applicant property be both distressed or functionally obsolete and be undergoing rehabilitation within a time frame specified upon authorization of the Brownfield tax credits. In order to be eligible for the OPRA tax incentives, an applicant property must:

1. be classified as a commercial property;
2. meet the standard for blight or functional obsolescence established in the Brownfield Redevelopment Act;
3. be located in a pre-determined qualified local governmental unit that is considered distressed.

Targeted Industries. Though no particular industries are targeted, the abatement only applies to commercial business and disproportionately benefits those industries that tend to have large property tax liabilities (including manufacturing, for example). However, like the Brownfield tax credits described previously, the incentive is primarily awarded because of location and condition of the property being rehabilitated, instead of targeting a particular type of business.

Size and Duration of the Incentive. Though the size of the incentive granted to each OPRA applicant may vary, the standard abatement for an approved property equals the freezing of the property tax at pre-rehabilitation level. By doing this, the OPRA eliminates the additional property tax that would be owed after property value is increased through redevelopment/rehabilitation. The final amount of a abatement, however, is determined by the local unit of government on a project by project basis. Similarly, the local unit of government determines the number of years over which the OPRA abatement will be certified, though legislation dictates that no OPRA tax abatement shall last for more than 12 years (unless a formal extension is later issued).¹

From OPRA’s passage through 2007, the average project was certified for 11 years, with the vast majority of projects receiving certification for the full 12 years allowable by law.² Currently, 198 projects continue to receive the OPRA tax abatement.³ It is estimated that OPRA accounted for \$3.1 million in lost rev-

1. MCL: 125.2781 et seq.

2. Michigan Department of Treasury. *OPRA Activity List for All Years*. 2007.

3. Ibid.

enues in 2007 and was projected to cost the state \$3.5 million in FY 2008 by the *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*.¹

Accountability Mechanisms. The Obsolete Property Rehabilitation Act includes a mechanism by which credits can be revoked. The statute states that the local governmental body that granted the credits may revoke them by resolution if they find that the rehabilitation or construction that credits were granted for was not completed within the time frame authorized in the exemption certificate. Further if the local governmental body determines that the business exempted from taxes under OPRA has failed to proceed “in good faith” with the operation of the rehabilitated facility (as is required for the granting of the exemption certificate), tax credits may be revoked.²

Stakeholder Concerns. Before establishing an obsolete property rehabilitation district (in which tax credit applicants must be located in order to be eligible for the OPRA tax incentive), the legislative body governing the proposed district must, according to the statute, give written notice to the owners of all real property within the proposed obsolete property rehabilitation district, and offer to host a public hearing on the establishment of the district.³

Additionally, once a district is established, the local governmental unit must hold a public hearing after receiving any application for OPRA tax credits. The applicant, assessor, persons representing the affected taxing units, and the general public must all be notified prior to this hearing, in order to give stakeholders the opportunity to voice their opinions.

Evidence of Impact on Employment and Economic Activity. Though the OPRA application requires applicants to specify the “economic advantages expected from the exemption,” including the number of jobs created/retained as a result of the project, little information is collected and aggregated as to the number of jobs that actually result from these projects across the state. Rather, numbers are often self-reported, and must be considered an upper-bound when determining the actual economic impact of tax incentives.

According to the Michigan Department of Treasury’s records, the estimated amount of investment generated by all OPRA projects approved through 2007 totals \$492 million.⁴

1. Office of the Governor and the Michigan Department of Treasury, *Executive Budget Appendix on Tax Credits, Deductions and Exemptions*, 2008.

2. MCL:125.2792.

3. MCL: 125.2781 et seq.

4. Michigan Department of Treasury. *OPRA Activity List for All Years*. 2007.

**PUBLIC ACT 210
(2005): COMMERCIAL
REHABILITATION TAX
ABATEMENT**

Public Act 210 (2005), known as the Commercial Rehabilitation Tax Abatement extended the property tax benefit granted under OPRA to properties outside of qualified districts and eliminated any blight or obsolescence requirement. Instead this incentive applies more generally to property throughout the state in order to encourage rehabilitation projects on property dedicated to commercial usage.

Criteria for Incentive. Eligible properties for the Commercial Rehabilitation tax Abatement must be designated as commercial property, including businesses, multifamily housing, and businesses previously used for industrial purposes. The properties must, however, be both 15 years or older (or recipients of New Market Tax Credits) and be undergoing a rehabilitation, after which they will be used primarily as a commercial property.¹ Further, the applicant property must be located in a commercial rehabilitation district in order to eligible for the abatement. These districts are established by the local unit of government and may be created in any township, village or city.

Targeted Industries. Like the OPRA, the Commercial Rehabilitation Tax Abatement does not target any particular industry, though it does disproportionately benefit those industries (such as manufacturing) that tend to have a large property tax liability.

Size and Duration of the Incentive. The size and duration of Commercial Rehabilitation Tax Abatements are determined on a project by project basis by the local unit of government, though no tax abatement can be certified for more than 10 years (without a formal extension).² Additionally, though the nominal size of the incentive differs from project to project, the abatement generally freezes property taxes at the pre-rehabilitated value, thereby eliminating any increased property tax liability that the taxpayer would owe after increasing the property's value. There is currently no publicly available data on the *total* amount of property abated under PA 210 of 2005.

Accountability Mechanisms. If the legislative body that granted the tax abatement under Public Act 210 finds that the rehabilitation has not been completed or the exemption certificate holder has not continued "in good faith" with the operation of the qualified facility, the statute authorizes the relevant legislative body to revoke the certificate.³

Stakeholder Concerns. Like the Brownfield and OPRA tax incentives, the Commercial Rehabilitation Tax Abatement requires a public hearing prior to the

1. MCL: 207.841 et seq.

2. Ibid.

3. MCL 208.852

establishment of a commercial rehabilitation district. In addition, before acting on any applications received, the local unit of government considering them must hold a public hearing on a per project basis, about which the applicant, assessor, a representative from the affected taxing unit, and the general public must all be notified.

Evidence of Impact on Employment and Economic Activity. Like the OPRA tax exemption, the Commercial Rehabilitation Tax Abatement requires applicants to list the economic advantages expected from the extension of a tax credit to their project; these economic advantages include the number of jobs that are expected to be created or retained as a result of the project's completion.

**PA 79 (2008) AND MBT
SECTION 455:
FILM INCENTIVES**

Both PA 79 (2008), a new section to the Income Tax Act of 1967, and Section 455 of the Michigan Business Tax (MBT) act as tax credits to, as conjectured by the Michigan Senate Fiscal Agency, incentivize, “the import[ation] of economic activity from other states/countries that may create jobs and increase tourism.”¹

Criteria for Incentive. In order to qualify for the film incentives provided under PA 79 (2008) and Section 455 of the MBT, a production company, recognized as “eligible” by the State of Michigan’s film office, must spend at least \$50,000 in Michigan for the development, preproduction, production, and post-production of a state-certified (by the Film Office) production. All projects must be state-certified to verify that their content does not “depict obscene matter or an obscene performance.”² Additionally, the production company must begin work on the project within 90 days of the agreement’s certification (unless other arrangements are otherwise made).

Finally, production companies receiving tax credits from the state are required to enter into an agreement with the Michigan Film Office that specifies that production will commence within 90 days. They must also submit statements detailing costs incurred during production. Before approving applications, the Michigan Film Office will consider the extent to which withholding credits will result in losing the movie’s production to a different location, as well as the production’s potential for promoting the state as a tourist destination, encouraging economic development, and attracting private investment.³

Size and Duration of the Incentive. The size and duration of the film incentives granted under these sections is highly discretionary and varies from project to project. Generally, tax credits are equivalent to 40% of “direct production expenditures” as defined in Section 455 of the MBT. If the film production is taking place in one of Michigan’s distressed areas, the production company is eligible for a larger credit—42% of the direct production expenditures. Though both PA 79 (2008) and Section 455 of the MBT grant the same tax credit, PA 79 (2008) extends the initial credit written into the MBT to income tax liability. The Senate Fiscal Agency estimates that in FY 2008-09, the film incentives’ MBT abatements totaled over about \$148 million.⁴

Though credits are not granted for a certain number of years, as some property tax incentives are, the film incentives are both refundable and transferable,

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1. Michigan Senate Fiscal Agency, “Presentation on Michigan Film Credits,” 23 October, 2008; Note: presentation was given on behalf of the Senate Fiscal Agency by SFA economist David M. Zin.
 2. MCL 208.1455, §3d
 3. Michigan Senate Fiscal Agency, “Presentation on Michigan Film Credits,” 23 October, 2008.
 4. Ibid.

allowing credits to be sold to cover up-front costs.¹ Additionally, any credits in excess of MBT or income tax liability can be used against future liability for an unspecified number of years.

Stakeholder Concerns. Unlike many other tax incentive programs where public hearings are required before tax incentives are extended, the film incentives legislation does not require a similar process of the Michigan Film Office. Additionally, though most public records are free for stakeholders, residents, and taxpayers to access, the film incentive legislation specifies that all information received by the Michigan Film Office from an eligible production company be considered confidential and “not subject to the disclosure requirements of the freedom of information act,” or disseminated at any time, since doing so “may put the company at a competitive disadvantage.”²

Accountability Mechanisms. The MBT Act includes an accountability section relating to film incentives; the statute states that any taxpayer applying for the tax credits under MBT section 455, which we’ve designated as film incentives, shall be liable for a civil penalty equal to the amount of the credit granted if information (regarding the filming, content, expenditures, etc.) is found to be fraudulent.³ The statute does not go on to explain, however, the process by which the Michigan Film Office identified possible fraudulent behavior.

Evidence of Impact on Employment and Economic Activity. Before extending film credits to applicant production companies, the legislation requires that the Michigan Film Office consider the extent to which the production will promote the state’s economic development. There is not, however, a hard requirement for the amount of economic benefit necessary to warrant credits. The Senate Fiscal Agency estimates that in 2008-2009, the film incentives created \$203 million in wages and \$339 million in economic activity.⁴ When considering the taxes that were abated, the Senate Fiscal Agency goes on to estimate that this still result in a net loss of \$99 million for the state. Total, the program results in a cost per job (in credits) of between \$40,000 and \$50,000.⁵ (See Figure 5, "Best Case Scenario: Economic Impact of Film Incentives (2008)" on page 42).

1. Michigan Senate Fiscal Agency, “Presentation on Michigan Film Credits,” 23 October, 2008

2. MCL 208.1455, §6

3. MCL: 208.1455

4. Michigan Senate Fiscal Agency, “Presentation on Michigan Film Credits,” 23 October, 2008

5. Ibid.

**PUBLIC ACT 328
(1998): NEW
PERSONAL
PROPERTY**

Public Act 328 (1998), known as the New Personal Property Tax Abatement allows for personal property tax exemptions for businesses operating in areas with existing industrial development, renaissance, enterprise, Brownfield redevelopment, downtown development, or empowerment zones. According to the Michigan Economic Development Corporation, these incentives serve to spur economic development in distressed communities.

Criteria for Incentive. In order to be eligible for the New Personal Property Tax Abatement, applicant businesses must:¹

1. engage primarily in an eligible business activity, including manufacturing, research and development, trade, mining, and office operations; and
2. be located in an eligible district that was established to aid a distressed community; eligible districts include industrial development, renaissance, enterprise, Brownfield redevelopment, or empowerment zones, as well as authority, downtown, and development districts (as defined in Public Acts 281 and 197, and in the tax increment finance act).

Targeted Industries. The New Personal Property Tax Abatement will be most beneficial and most appealing to industries with inherently high personal property tax liabilities.

Size and Duration of the Incentive. The duration of the abatement is highly discretionary; in addition to the local unit of government ultimately determining the number of years for which the abatement is certified (as they do for many of the abatements described previously), the legislation that established the new personal property tax incentive does not include a maximum or minimum number of years for which abatements can be granted. Therefore, there are no guidelines or restrictions for local units of government to follow when determining the length of time they will certify new personal property tax abatements. According to the Michigan Department of Treasury's records, however, the average length of certification for a tax abatement under this act is 11 years, with the longest abatement granted for 50 years by the City of Lansing.²

The size of the personal property tax abatement is more straightforward; recipients of this abatement are exempt from the full millage rate on all personal property that they own or lease, with the stipulation that the property is new to the state or was not taxed under Michigan's General Property Tax Act previously. Currently there are 128 projects receiving the new personal property tax abatement under PA 328 (1998). There is currently no publicly available data on the *total* amount of property abated under PA 328 of 1998.

1. MCL: 211, 9f.

2. Michigan Department of Treasury, *PA 328 Activity List for All Years*, December 2007.

Stakeholder Concerns. Before approving or disapproving any new personal property tax exemption applications, the General Property Tax Act requires that the governing body of the eligible local assessing district must “afford the assessor and a representative of the affected taxing units an opportunity for a hearing.”¹ Unlike many other property tax incentives (such as the OPRA and the Commercial Rehabilitation Tax Abatement), the new personal property tax exemption does not require the local governing body to notify the general public and offer residents and taxpayers an opportunity to attend the hearing.

Evidence of Impact on Employment and Economic Activity. Unlike many other tax incentives, the new personal property tax abatement does not require the local governing body or the applicant to specify the economic advantages of the tax credit’s extension to their project.

1. MCL 211.9f, §1

**PUBLIC ACT 376
(1996): RENAISSANCE
ZONE ACT**

Public Act 328 (1998), known as the Renaissance Zone Act, creates 20 “tax-free zones” throughout the state, in which businesses and residents can receive substantial tax exemptions. The 21 zones encompass 152 geographic areas in Michigan, which, according to statute, are intended to “facilitate economic development...stimulate industrial, commercial, and residential improvements...[and] prevent physical and infrastructure deterioration of geographic areas in this state.”¹

Criteria for Incentive. Location within one of Michigan’s 21 renaissance zones is the only requirement for businesses and residents to receive the tax exemptions the Renaissance Zone Act affords.² Before a renaissance zone is established, however, the Renaissance Zone Review Board considers the applicant community’s economic development plan, takes into account adverse economic and socioeconomic conditions, the local governing body’s level of commitment to improving the area, and the extent of any new proposed business activity resulting from the renaissance zone.

Targeted Industries. Though no industries are specifically targeted in the legislation (as exemptions are given based on location and not business activity), those industries with the highest overall tax liability (from property, utility users, and business taxes) would benefit most.

Size and Duration of the Incentive. Tax exemptions received under the Renaissance Zone Act are valid until the renaissance zone, in which a business is located, expires. The benefit of locating in a renaissance zone is different for businesses and residents, as the type of taxes relevant to those persons differ. Business in renaissance zones are exempt from all local real and personal property taxes, utility users taxes, and all 6 mills of the State Education Tax. Additionally, credits are available against MBT liability, depending on the amount of economic activity a business can claim to generate in a renaissance zone. As explained by the Citizen’s Research Council, the only taxes that businesses in renaissance zones must continue to pay are those mandated by the federal government, local bond obligations, and school sinking fund or special assessments.³

From 1996-2005, the Michigan Economic Development Corporation reports that over 400 projects were completed in renaissance zones by businesses taking advantage of these tax exemptions.⁴ The *Executive Budget Appendix on Tax*

1. MCL: 125.268

2. The number of Renaissance Zones may be changed with the passage of new legislation; the number of zones given here was provided by the Citizens Research Council of Michigan’s *Survey of Economic Development Programs in Michigan*, published in June 2007.

3. Citizens Research Council of Michigan. *Survey of Economic Development Programs in Michigan*, pg. 64.

Credits, Deductions and Exemptions for fiscal year 2008 estimated that Renaissance Zones cost the state more than \$121 million in 2007 and would account for \$142 million in abated income, property, and business taxes in FY 2008.¹

Accountability Mechanisms. The Renaissance Zone Act includes various safeguards against tax exemptions that would not fulfill the statute's intent. First, the legislation provides standard criteria for any Renaissance Zone, as well as the number of years that it may be designated one. Additionally, once a renaissance zone is established, the statute requires that a state university annually report on the economic effects of each renaissance zone to the legislature.² It is not explicitly stated in the statute the way in which these reports will effect the future of a particular renaissance zone or the program more generally.

Stakeholder Concerns. Though the renaissance zone review board receives, considers, and ultimately approves or denies all new applications for renaissance zones, the local governmental bodies in the cities/townships/villages where the renaissance zone would be created must also submit a resolution stating that their residents/businesses residing within the zone would be exempt from taxes levied by that municipality.³ Interested residents and businesses, then, may have an opportunity to influence the decisions of their local governmental unit prior to the establishment of a renaissance zone in their area.

Evidence of Impact on Employment and Economic Activity. From the Renaissance Zone Act's passage in 1996 through 2005, the Michigan Economic Development Corporation estimates that the program is responsible for generating over \$2 billion in private investment.⁴ The MEDC's self-reported data further indicates that renaissance zones can be credited with the creation of 8,500 jobs in Michigan.

4. Ibid.

1. Office of the Governor and the Michigan Department of Treasury, *Executive Budget Appendix on Tax Credits, Deductions, and Exemptions*, 2008.

2. MCL 125.269 et seq.

3. MCL 125.2687, §2

4. Citizens Research Council of Michigan, *Survey of Economic Development Programs in Michigan*, 2007.

IV. Evaluation of Incentive Effectiveness

Outside of the *Tax Expenditure Appendix* referenced earlier, little systematic data on Michigan's tax incentive programs exists.¹ This lack of data makes the evaluation of the effectiveness of tax incentive programs difficult, as well as making the use of tax incentives much less transparent to taxpayers and policy-makers.

In this section, we use the available information to conduct an evaluation of the relative effectiveness of a subset of Michigan's tax incentive programs. To perform this evaluation, we reviewed the small amount of independent analyses that have been published, and also reviewed the data collected in our inventory of programs. Then, based on our knowledge of Michigan's economy, business climate, and industrial base, we relied largely on professional judgement to rank a group of incentives on their relative effectiveness.

OVERVIEW OF EXISTING LITERATURE

Very few systematic evaluations of Michigan tax incentive programs have been conducted, and almost no effectiveness data exists on the majority of abatements. Three studies do exist, however, which discuss the effectiveness of the two arguably most important programs: the Industrial Facilities Tax Exemption and the MEGA grants.

CRC Survey. Citizens Research Council's *Survey of Economic Development Programs in Michigan*, published in 2007, discusses the IFT exemption. CRC notes that critics of the Industrial Facilities Tax exemption frequently argue that the program is no longer a special incentive, but, rather, an exemption that businesses simply expect when evaluating business location decisions in certain communities.² This is an important finding, since, if the credit no longer serves as an incentive, it is likely less effective at creating jobs and increasing investment than self-reported studies would indicate. This is consistent with our finding that widely-used programs suggest that problems with the underlying tax system should be fixed, rather than simply patched with frequent tax abatements.

1. Of course, the State's economic development agency—the MEDC—offers potential investors in the state an attractive, well-constructed web resource with information on dozens of programs. (For example, see the following page: <http://www.themedc.org/Products-Services/A-Z-Programs/Default.aspx>.)

However, this agency (like the agencies that perform similar services for many other states) is an advocate for business expansion in the state, and therefore cannot be expected to independently analyze the relative effectiveness of tax incentives in the state.

2. Citizens Research Council, *Survey of Economic Development Programs in Michigan*, 2007.

Land Policy Institute. A Land Policy Institute report on PA 198 by Wayne State University Professor Gary Sands and Michigan State Professor Laura Reese found that abatements have, on the whole, not been a successful economic development strategy:

It appears that the use of abatements has not, on average, led to improvements in [economic] health; and not using them has not resulted in declines.¹

Sands and Reese go on to state that, while all industrial industries appear to have been strengthened (as determined by increased job creation) as a result of PA 198, the success of the abatement is overstated as some projects have received numerous abatements—effectively “retaining” jobs numerous times—while others would probably have materialized regardless.

These authors also note the collision between the “address cost disadvantage” and “pursue industrial policy” purposes we identified for various tax incentives. They observe that PA 198s do not contribute to the restructuring of the manufacturing sector in Michigan by introducing more high-tech jobs, but instead have been most effective in transportation equipment manufacturing—an area where Michigan has always been strong. The report also concludes that the PA 198 abatement has contributed to sprawl by encouraging the location of investment and job creation away from older central cities.

Mackinac Center for Public Policy. The Mackinac Center for Public Policy conducted an econometric study that determined the economic impact of MEGA grants was less favorable than self-reported data may suggest.² At the county level, MEGA grants had an “unambiguously nonpositive” effect on per capita income, employment, and the unemployment rate (assuming that the benefits of the program were not too long-term to be reflected in the data considered).

Scholarly work outside Michigan. Other scholarly work has been completed on tax incentives across multiple states. Perhaps the prevailing view was represented in this statement by economists Peter Fisher and Alan Peters:

The upshot of all of this is that on this most basic question of all — whether incentives induce significant new investment or jobs — we simply do not know the answer. Since these programs probably cost state and local governments about \$40-\$50 billion a year, one would expect some clear and undisputed evidence of their success. This is not the case. In fact, there are very good reasons — theoretical, empirical and practical — to believe that economic development incentives have little or no impact on firm location and investment decisions.³

1. Reese and Sands, *Current Practices and Policy Recommendations Concerning PA 198 Industrial Facilities Tax Abatements*, 2007, p. iv.

2. LaFaive and Hicks, *MEGA: A Retrospective Assessment*, 2005.

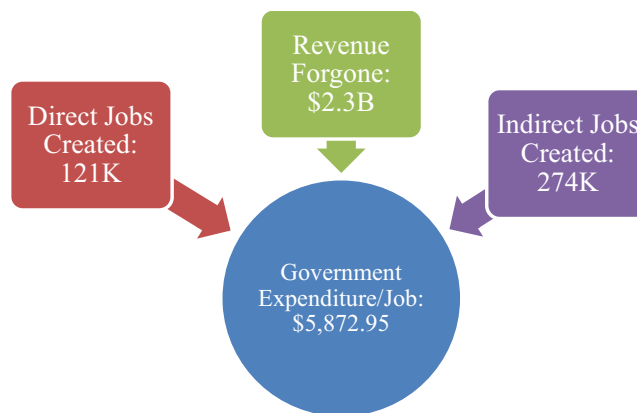
Research on the effectiveness of tax incentives, like research into the effectiveness of tax policy, educational attainment, and other factors, will always have to contend with the difficulty of disentangling many disparate causes of economic growth or decline. However, even with this difficulty, there seems to be little faith among professional or academic economists that tax incentives work better than broad-based improvements in tax climate, educational attainment, improvements in infrastructure, or other positive improvements that governments could devote resources to achieve.

EVIDENCE OF VARIED EFFECTIVENESS: “COST PER JOB”

After extensive research, however, it is possible to determine that the eight incentives we’ve closely examined vary greatly according to certain metrics of effectiveness.

Using the limited data available, it’s clear that the government expenditures per job created vary greatly from program to program. Available information on the film incentive and the MEGA grants highlights this disparity. The MEGA grant’s implied government expenditure per job created is about \$6,000 dollars, while the film incentive’s implied government expenditure per job is somewhere between \$40,000-\$50,000 (see Figure 4 and Figure 5 below). Conservatively, this implies a difference of more than \$30,000 in government expenditures per job created by the various incentive programs.

FIGURE 4. Best Case Scenario: MEGA’s Economic Impact (1995-2006)



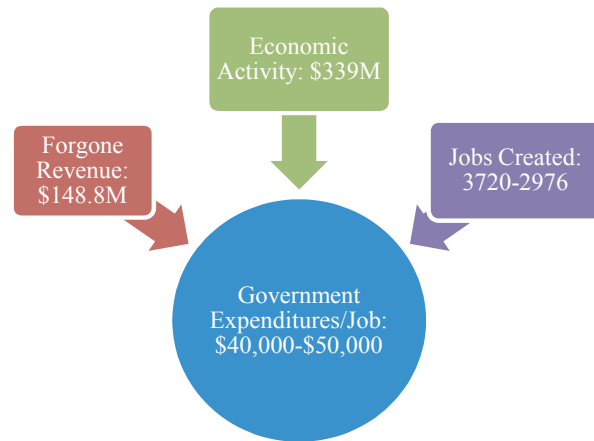
Source: Citizens Research Council, “Survey of Economic Development Programs in Michigan,” 2007 (base data: Michigan Economic Development Corporation)

Analysis: Anderson Economic Group, LLC

3. Alan Peters and Peter Fisher, “The Failures of Economic Development Incentives,” Journal of American Planning Association. 70:1 (2004): p. 27.

Excerpted from LaFaive and Hicks (2005), cited above, which contains many additional references.

FIGURE 5. Best Case Scenario: Economic Impact of Film Incentives (2008)



Source: Citizens Research Council, "Survey of Economic Development Programs in Michigan," 2007 (base data: Senate Fiscal Agency).

Analysis: Anderson Economic Group, LLC

RELATIVE EFFECTIVENESS

Based on our work and our professional opinion, we've grouped the eight incentive programs by their relative effectiveness in encouraging employment in Michigan. The Industrial Property Abatement and the New Personal Property incentive were deemed highly effective relative to the others, while the commercial rehabilitation abatement, OPRA, and the film incentives were grouped

Evaluation of Incentive Effectiveness

in the low effectiveness category. See Table 7 below for each incentive's rating and the reasoning behind their classification.

TABLE 7. Relative Effectiveness of Selected Michigan Business Tax Incentives

Incentive	Relative Effectiveness in Encouraging Jobs in Michigan	Note
PA 198 - Industrial Property Abatement	High	Addresses serious cost disadvantages for manufacturers.
PA 328 - New Personal Property	High	Addresses Personal Property Tax (PPT) cost disadvantage for many industries, though only in specific areas.
PA 376 - Renaissance Zone Act	Medium	Widely disparate results; some very effective, some largely ineffective.
PA 24 - MEGA	Medium	Some awards are very effective; some accountability exists in approval and continued eligibility; however, industrial policy underlying MEGA means errors are inevitable.
PA 381 - Brownfield Redevelopment	Medium	Highly effective in encouraging development; good accountability. However, most development likely shifted from other Michigan areas.
PA 79 and §455 of MBT act - Film Incentives	Low	Very large expenditures; no comparative advantage in this industry. Moreover, self-reported data and self-interested approval process limit ability to evaluate effectiveness.
PA 210 - Commercial Rehabilitation Abatement	Low	Relies on self-reported data; accountability very low;
PA 146 - Obsolete Property Rehabilitation	Low	Very little data exist, much of it self-reported.

Analysis: Anderson Economic Group LLC

IMPLICATIONS OF VARIED EFFECTIVENESS

There are some implications from this analysis that are worth noting:

- For some programs, such as for Renaissance Zones, fairly well-established purpose and success criteria exist, but the results vary materially among the designated areas. This does not mean that the program is ineffective; being able to actually measure results inevitably means some projects are recognized as unsuccessful.
- Incentives that rely on industrial policy as one of their main drivers, such as the film incentives or MEGA grants, are especially afflicted by problems in evaluating their effectiveness. It is the nature of visionary policy that, even with adequate data, only time can reveal whether these programs turn out to be worth the investment of taxpayer money. As they are currently designed, relying on weak and self-reported data, even time will not help.
- Incentives relying on positive spillover benefits, such as Renaissance Zones and Brownfield tax credits, tend to have the strength of being clearly targeted, with measurable results such as a business operating or a building having been built or renovated in a specific area. However, some programs like Brownfield credits rely on the assumption that most or all of the economic development on targeted sites is net-new (i.e. caused by the credit); this may be the case, but there is no way to be sure how many of the businesses benefiting from such credits would have made similar investments without the credit. Even a well-tracked

program with measurable outcomes can end up “encouraging” activity that would have taken place anyway.

- Finally, the Industrial Facilities Tax (IFT) exemption (under PA 198) is apparently successful in its “price discrimination” mission of lowering the cost of industrial development, but it is plagued by nagging uncertainties. First, since its use is so widespread, at least some of the credits go to businesses who would have invested in Michigan even without the credit; for example, businesses whose main customers or suppliers are in Michigan may have found it economical to locate in the state even with a higher property tax burden. Second, the widespread use of the credit—an apparent success—may be a signal that special incentives are not the right remedy: if everyone claims the need for an incentive to make any investments, perhaps property tax rates on industrial property are too high. After all, widespread use of abatements ensure that the state is not actually receiving the tax revenue that the stated rates imply; it may be better to gain the reputation of being a lower-tax state by levying a lower, uniform tax rate. For example, Michigan ranked 49th in business tax climate in a recent survey of executives—including 39th in “business friendliness” and 34th in “cost of doing business”,¹ while objective measures of Michigan’s business taxes, such as AEG’s own *2008 State Business Tax Burden Rankings* study (which shows that Michigan’s business taxes were 22nd in 2006) do not support such a near-bottom ranking.²

DIFFICULTIES IN ESTIMATING TRUE COST

The only quantitative estimate available of the cost of tax abatements in Michigan is the nominal tax expenditure as estimated by the Department of Treasury for some programs. The nominal tax expenditure is the theoretical amount of tax that would have been collected, if the activity would have continued with no change even if the tax abatement did not exist. The weakness in the usefulness of this figure is obvious; if the activity would have occurred even without the abatement, the stated purpose of the abatement was probably not achieved. Thus, the nominal tax expenditure is, at best, a rough guess, and probably an overestimate of the actual “cost” of the programs.

Take, for example, a manufacturing business considering expanding its production in Michigan. Depending on how the cost was calculated and the assumptions about likely alternative business activity, a policymaker could overestimate or underestimate the true cost.

Overestimate of Cost. Without any incentives, it would invest \$100 million. With incentives (say an IFT abatement) it is economical to invest \$110 million and add even more capacity. In this case, an abatement on \$110 million worth of property (say \$2.2 million in property taxes foregone) would have caused \$10

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1. *Chief Executive*, “CEOs Select Best, Worst States for Job Growth and Business,” January/February 2009.
 2. Sallee, Caroline, and Anderson, Patrick, *2008 State Business Tax Burden Rankings*, Anderson Economic Group 2009.

million worth of investment (the property taxes on which would be \$200,000, or 10% of the nominal foregone amount). So one might think of the true “cost” of this incentive as \$2 million, while the nominal cost is 10% higher. To the extent an incentive is effective at encouraging economic activity, its nominal cost will overstate the true cost.

Underestimate of Cost. Considering substitution pushes in the opposite direction. What if the extra \$10 million in investment in the example above, crowds out another manufacturer without an abatement? In this case, the extra \$10 million invested in production capacity might raise the cost of another business hiring workers, and lower the profitability of operating in Michigan. This other business might lower its planned investment by \$8 million, or even \$12 million.

True Cost. Finally, the true cost should include alternative uses of the foregone tax revenue. Would the money have created even more jobs or investment if tax rates had been cut or infrastructure better-maintained? There is currently no system in place to evaluate this.

Exhibit I: Characteristics of Selected Michigan Tax Incentives

Tax Incentive	Size of Abatement	Duration of Incentive	Outstanding Projects	Nominal Abatement	Criteria	New Jobs/ Investment Claimed	Accountability Mechanisms	Statutory Intent	Conjectured Intent	Targeted Industries (if any)	Industries disproportionately affected
Public Act 198 (1974): Industrial Facilities Tax Abatement (MCL: 207.551 - 207.572)	50% of real and personal property taxes	No more than 12 years	16493 (MI Dept. of Treasury estimate of all certificates granted)	76,092,536,066 (MI Dept. of Treas., 1984-2006)	Applicant property must lie within industrial redevelopment district and relate to a restoration/construction of a facility to prevent obsolescence and create/retain employment; used for manufacturing/ processing/ high-tech activity	327820 (MI Dept. of Treas., 1984-2006)	"The legislative body of the local governmental unit may... request the revocation of the certificate on the grounds that... completion of a new facility has not occurred within 2 years... replacement/ restoration has not occurred within 6 years." See (Section 15. 2, 207.565)	None Specified	Retain manufacturing jobs in MI (Senate Fiscal)	Manufacturing, Processing, High-Tech Section 207.552, (6)	Industries with high property tax liability (such as manufacturing, etc.)
Public Act 24 (1995): MEGA Act (MCL: 207.801 - 207.810)	Highly discretionary	No more than 20 years (avg. 12 years)	299 (MEDC estimate of all certificates granted)	2,320,891,000 (MEDC, 1995-2006)	High-Technology business that both creates and retains new jobs in the State	395,183 (MEDC, 1995-2006)	"A statement by the eligible business that is a violation of the written agreement may result in the revocation of the designation as an authorized business and the loss or reduction of future credits." See Section 8, 3c (Section 207.808)	promote economic growth/ encourage private investment, job creation, and job upgrading (Section 207.802)	Grow high-technology businesses and large scale investments that spur significant job creation (CRC)	High-Tech (CRC Survey of Econ. Development Programs)	High-Tech industry
Public Act 381 (1996): Brownfield Redevelopment Financing Act (MCL: 125.2651- 125.2672)	Highly discretionary; MBT credits worth up to 10% of taxpayer's investment in brownfield assessment/ remediation	Unclaimed credits can be carried forward for up to 10 years	68 (granted between 2003-2008) [Michigan Department of Environmental Quality]	273,000,000 (MEDC, 2000-2006); \$42,961,511 (MI Dept. of Environmental Quality, 2003-2008)	Property must be located in an approved Brownfield Redevelopment Authority or by owned by a land bank and undergo construction /renovation/ improvement while pursuant a brownfield plan (environmental assessment, clean-up, & due care activities)	\$3.8B in private investment (MEDC, 2000-2006)	Tax credit recipients must submit documentation of their expenses (as total credits received are equivalent to a percentage of a taxpayer's investment) (Section 125.2665, 4).	facilitate the implementation of brownfield plans; to promote the revitalization, redevelopment, and reuse of certain property--namely tax reverted/ blighted/ obsolete property	Foster redevelopment of contaminated industrial and commercial sites (CRC)	N/A	N/A
Public Act 146 (2000): Obsolete Property Rehabilitation Act (MCL: 125.2781- 125.2797)	Property tax abatement that freezes taxes at pre-rehabilitated value or as determined by local unit of government	At least one year but no more than 12 years as determined by local unit of government (before extension)	198 currently outstanding (list of activity for all years, MI Dept. of Treasury)	Estimated statewide cost in FY 2007, 3.1M and 3.5M in FY 2008 (Office of the Governor of MI-- Tax Expenditure Appendix)	Commercial properties that are blighted or functionally obsolete (as defined in the Brownfield Redevelopment Act) in qualified local governmental units	\$492,176,211 in investment on OPRA projects (list of activity for all years)	"The legislative body of the local governmental unit may, by resolution, revoke the...certificate if it finds that the completion of rehabilitation of the facility has not occurred within the time authorized in the exemption certificate...or the holder of the certificate has not proceeded in good faith with the operation of the rehabilitated facility (Section 125.2792)	None Specified	Encourage rehabilitation and reuse of obsolete structures (CRC)	Commercial Business	N/A

Tax Incentive	Size of Abatement	Duration of Incentive	Outstanding Projects	Nominal Abatement	Criteria	New Jobs/ Investment Claimed	Accountability Mechanisms	Statutory Intent	Conjectured Intent	Targeted Industries (if any)	Industries disproportionately affected
Public Act 210 (2005): Commercial Rehabilitation Tax Abatement (MCL: 207.841-207.856)	Property tax abatement that freezes taxes at pre-rehabilitated value or as determined by local unit of government	Determined by local unit of government; no more than 10 years (before extension)	Unavailable	Unavailable	Applies to commercial property (including business, Multifamily housing, buildings previously used for industrial purposes) that is 15 years or older (or has New Market Tax Credits), is undergoing rehabilitation to be used as a commercial property and that lies in a commercial rehabilitation district.	Unavailable	"The legislative body of the qualified local governmental unit may, by resolution, revoke the...certificate if it finds that the completion of rehabilitation...has not occurred within the time authorized...in the exemption certificate...or that the holder has not proceeded in good faith with the operation of the qualified facility." (Section 207.852)	None Specified	Extend OPRA benefits to all cities, villages, and townships without the blight requirement (CRC)	Eligible commercial property (See Criteria for more information)	Industries with high property tax liability (i.e. Manufacturing)
Public Act 79 (2008) and Section 455 of MBT: Film Incentives (MCL: 206.637; 208.1455)	Tax credits equivalent to 40% of "direct production expenditures (42% if in distressed area) may be used towards income or Michigan business taxes Credits are transferable/refundable, so they are not limited by a company's liability	Credits are refundable and transferable for an unspecified number of years	Unavailable	In FY 2008-09, film incentives MBT abatements totaled an estimated \$148.8M [Senate Fiscal Agency]	To qualify, an eligible production company must spend at least \$50,000 in Michigan for the development or (pre)(post)production costs of a state certified qualified production, work on the production within 90 days of the agreement (unless otherwise arranged) and submit all required documentation, etc.	In FY 2008-09, film incentives created an estimated \$203.4M in wages, and \$339M in economic activity, resulting in -\$99.1M for the state [Senate Fiscal Agency]	"A taxpayer that willfully submits information under this section that the taxpayer knows to be fraudulent of false shall...be liable for a civil penalty equal to the amount of the taxpayer's credit under this section." (Section 208.1455, 10)	As a section of the Michigan Business Tax, Section 455, along with the rest of the legislation, is intended to "improve the economic condition of this state and foster continued and diverse economic growth...and enable the state to compete fairly and effectively in the world marketplace for economic development opportunities... (208.1101, 2)	Incentivizes the "import[action]" of economic activity from other states/countries that may create jobs and increase tourism [Senate Fiscal Agency]	Film industry	Film Industry
PA 376 (1996): Renaissance Zone Act (125.2681-125.2696)	Locating in these zones removes business tax liability resulting from the following taxes: local real and local personal property taxes, utility users, as well as the State Education tax. An MBT credit against liability is also offered. [MEDC]	Businesses (and residents) are exempt from abated taxes as long as they are located in a Renaissance zone	21 zones exist (with 152 geographic areas covered by these zones) as of November 2006; these zones reported the completion of over 400 projects from the program's inception to 2005 [MEDC]	Estimated statewide cost of abated income, property, and business tax (under SBT) liability in 2007 was \$121.2M in PY 2007 and \$142.2M in FY 2008 (Office of Governor, MI--Tax Expenditure Appendix)	To qualify for exemption from taxes under the Renaissance Zone Act, businesses and residents must be located in one of the 20 established Renaissance zones; in order to be designated a Renaissance Zone, the Renaissance Zone Review Board must consider new business activity, viability of the development plan, adverse (socio)economic conditions, level of cooperation, commitment to improving abandoned property, etc.)	From the program's inception to 2005, the Renaissance Zones reported generating \$2.4 billion in private investment and the creation of over 8,500 jobs [MEDC].	Standard criteria of a Renaissance Zone and the number of years it may be designated as such are established; further, a state research university must annually report to the legislature as to the economic effects of each renaissance zone, though it is not clear that this has any impact on the future of the policy (125.2696)	"...to facilitate economic development; to stimulate industrial, commercial, and residential improvements; to prevent physical and infrastructure deterioration of geographic areas in this state..." (PA 376 (1996)) ; "...there exists...a continuing need...to assist certain local governmental units in encouraging economic development...in this state" (125.2682).	Reiterates statutory intent	N/A	Though no industries are explicitly targeted, those with the highest tax liabilities (business, property, and income) will benefit the most
Public Act 328 (1998):New Personal Property (MCL:211.9f)	Full millage rate exemption from taxes on all personal property owned or leased by taxpayer that was not previously placed in service in the state of taxed under the General Property Tax Act ("new personal property")	Highly discretionary; no max or min number of years	128 currently outstanding (list of activity for all years, MI Department of Treasury)	Unavailable	Applicant must be an eligible business (one that engages primarily in manufacturing, R&D, office operations, trade, mining) in an eligible district (including industrial development, renaissance, enterprise, brownfield redevelopment, or empowerment zone or an authority/downtown/development district as defined by PA 281, 197, or the tax increment finance act.	Unavailable	None Specified	None Specified	Spur economic development in distressed communities by abating personal property taxes (MEDC)	"Eligible businesses" (See criteria for more information)	Industries that have a high personal property tax liability

Appendix B. About Anderson Economic Group

ABOUT ANDERSON ECONOMIC GROUP

Anderson Economic Group, LLC is a consulting firm that specializes in economics, public policy, financial valuation, market research, and land use economics. AEG has offices in Chicago and East Lansing, Michigan, where they are headquartered.

AEG experts have extensive experience with tax policy in Michigan and other states, including:

- Authoring the 2006 law that repealed Michigan’s Single Business Tax.
- Authoring analyses showing the costs and benefits of a state Earned Income Tax Credit. The state EITC was subsequently enacted in 2008.
- Editing and producing the *State Economic Handbook*, which contains economic, demographic, and political information about all 50 states. The book is published by Palgrave and is now in its third annual edition.
- Producing a 50 state business tax benchmarking study, now in its third annual edition. The work was originally commissioned by the Michigan House of Representatives, and now appears annually in our *State Economic Handbook*.
- Publishing an authoritative study on the “Two Penny” sales tax on services, which was passed and subsequently repealed by the Michigan Legislature in 2008.
- Working extensively on other tax issues in the state, including property, the Single Business and Michigan Business Taxes, Sales, and other taxes.

AEG’s past clients include state and local governments, non-profit organizations, and private businesses. See “Representative Clients of AEG” on page 2. For more information about AEG, visit www.AndersonEconomicGroup.com

Exhibit 2. Representative Clients of AEG

Governments

- State of Michigan
- State of Wisconsin
- State of North Carolina
- State of Ohio
- Oakland County, Michigan
- Collier County, Florida
- Schoolcraft County, Michigan
- City of Detroit, Michigan
- City of Cincinnati, Ohio
- Province of Ontario
- Wayne County Port Authority

Businesses

- General Motors Corporation
- Ford Motor Company
- DaimlerChrysler
- Honda North America
- Delphi
- Visteon
- PG&E Generating
- AT&T
- Meijer
- Taubman Centers, Inc.
- The Detroit Lions
- Beck's North America
- Diageo-Guinness
- InBev USA
- Labatt USA

- Heineken USA
- The Gambrinus Company
- Soave Enterprises
- Wholesalers representing Labatt, Beck's, Anheuser-Busch, Miller, Molson, Heineken, Mondavi, and other brands.
- Toyota, Chrysler, Honda, Ford, Mercedes-Benz, BMW, Harley-Davidson, Suzuki and Lincoln-Mercury dealers, or their associations

Nonprofit and Trade Organizations

- International Mass Retailers Association
- Michigan Retailers Association
- Michigan Chamber of Commerce
- Michigan Manufacturers Association
- Automation Alley
- American Automobile Manufacturers Association
- Michigan State University
- Wayne State University
- University of Michigan
- The ACLU of Michigan
- Hudson Institute
- Van Andel Institute
- Service Employees International Union
- West Virginia High Technology Foundation Consortium
- Pulse Canada

ABOUT THE AUTHORS

Patrick L. Anderson

Mr. Anderson founded the consulting firm of Anderson Economic Group in 1996, and serves as a Principal and Chief Executive Officer in the company.

Mr. Anderson's views are often cited in news reports throughout the United States, and his articles have been published by The Wall Street Journal, The Detroit News, The Detroit Free Press, American Outlook, Business Economics, and other publications. His book *Business Economics and Finance* was published in 2004, and his paper on "Pocketbook Issues and the Presidency" was awarded the Edmund Mennis Award for the best contributed paper in 2004 by the National Association for Business Economics. Mr. Anderson also contrib-

uted the chapter on commercial damages to the book *Litigation Economics*, published in 2005, and is the executive editor of the *State Economic Handbook 2008*.

Prior to founding Anderson Economic Group, Mr. Anderson served as the Chief of Staff of the Michigan Department of State, and as Deputy Budget Director for the State of Michigan under Governor John Engler. Prior to his involvement in State Government, Mr. Anderson served as an officer in Alexander Hamilton Life Insurance, an economist for Manufacturers National Bank of Detroit, and a graduate fellow with the Central Intelligence Agency in Washington DC.

Mr. Anderson is a graduate of the University of Michigan, where he earned a Master's degree in public policy and a Bachelor's degree in political science. He is a member of the National Association for Business Economics and the National Association of Forensic Economists. The Michigan Chamber of Commerce awarded Mr. Anderson its 2006 Leadership Michigan Distinguished Alumni award for his civic and professional accomplishments.

Alex L. Rosaen

Mr. Rosaen is a Consultant at Anderson Economic Group, working in the Public Policy, Fiscal, and Economic Analysis practice areas. Mr. Rosaen's background is in applied economics and public finance.

Mr. Rosaen's recent work includes several economic and fiscal impact analyses, including of proposed real estate developments, power plants, and infrastructure projects; an analysis of the impact of federal tax incentives on the freight rail industry; and an analysis of the economic contribution that research universities make in the State of Michigan.

Prior to joining Anderson Economic Group, Mr. Rosaen worked for the Office of Retirement Services (part of the Michigan Department of Management and Budget) for the Benefit Plan Design group. He has also worked as a mechanical engineer for Williams International in Walled Lake, Michigan.

Mr. Rosaen holds a Masters in Public Policy from the Gerald R. Ford School of Public Policy at the University of Michigan. He also has a Masters of Science and a Bachelors of Science in mechanical engineering from the University of Michigan.

Hilary A. Doe

Ms. Doe is a Senior Analyst at Anderson Economic Group working in the Public Policy, Fiscal and Economic Analysis practice area. Her background is in economics, public finance, and political science.

Prior to joining Anderson Economic Group, Ms. Doe held positions with the Brookings Institution and the Detroit Economic Growth Corporation. Additionally, she served as the Midwest Regional Coordinator for a national think tank, the Roosevelt Institution, where she focused on economic and regional development policy.

Ms. Doe holds a Master's degree in Public Policy from the University of Michigan's Ford School of Public Policy, and a Bachelor of Arts degree in Political Science from the University of Michigan.