MEMORANDUM

DATE: April 21, 2020

TO: The Honorable Roger Victory, Chair Senate Appropriations Subcommittee on General Government
   The Honorable Mark Huizenga, Chair House Appropriations Subcommittee on General Government
   The Honorable Ken Horn, Chair Senate Appropriations Subcommittee on Labor and Economic Opportunity/MEDC
   The Honorable Terry Sabo, Minority Vice Chair House Appropriations Subcommittee on General Government
   The Honorable Peter Lucido, Chair Joint Committee on Administrative Rules
   The Honorable Matt Maddock, Alt. Chair Joint Committee on Administrative Rules

FROM: Mark Burton, President Michigan Strategic Fund

SUBJECT: 2019 Michigan Strategic Fund Specific Policy Change Report - REVISED

Section 221 of Public Act 56 of 2019, the General Government Budget, requires a report on each specific policy change made to implement a public act affecting the department that took effect during the prior calendar year.

A report was sent to you on March 30 indicating that guidelines required under House Bill 4190 (2019 PA 91) were being drafted and we would provide a subsequent report along with a website link when final. The Michigan Strategic Fund (MSF) Board adopted a policy on April 14, 2020, to address the Federal-Mogul/Tenneco Michigan Economic Growth Authority (MEGA) retention tax credit issue. Attached is a revised 2019 report for the MSF that includes a website link.

If you have any questions, please contact our Office of Government Relations at 517.335.1847.

Attachment

cc: Members, Senate Appropriations Subcommittee on General Government
    Members, House Appropriations Subcommittee on General Government
    Members, Joint Committee on Administrative Rules
    Members, Senate Appropriations Subcommittee on Labor and Economic Opportunity/MEDC
    Chris Harkins, Director, Senate Fiscal Agency
    Mary Ann Cleary, Director, House Fiscal Agency
The bills amend the Michigan Business Tax Act, the Michigan Economic Growth Authority Act and the Income Tax Act, respectively, to make changes to the authorization of business tax credits and to allow eligible business entities to transfer certain tax credits to other business entities as authorized by the Michigan Strategic Fund.

Generally speaking, the bills address circumstances where a business firm acquires another firm, and the firm being acquired has been approved to receive, or has been assigned, a certificated credit under the MBT. Specifically, the bills address MEGA tax credits awarded to the company Federal-Mogul in 2004 and the status of those credits following the acquisition of Federal-Mogul by Tenneco in 2018.

HB 4190 (2019 PA 91) requires MEGA or its successor to establish and publish on its website guidelines for the amendment, modification or transfer as described in the bill.

<table>
<thead>
<tr>
<th>Bill Number</th>
<th>PA No.</th>
<th>Effective Date</th>
<th>Subject</th>
<th>Policy Change</th>
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<tbody>
<tr>
<td>HBs 4189, 4190 &amp; 4191</td>
<td>90, 91 &amp; 92</td>
<td>10/10/2019</td>
<td>The bills amend the Michigan Business Tax Act, the Michigan Economic Growth Authority Act and the Income Tax Act, respectively, to make changes to the authorization of business tax credits and to allow eligible business entities to transfer certain tax credits to other business entities as authorized by the Michigan Strategic Fund. Generally speaking, the bills address circumstances where a business firm acquires another firm, and the firm being acquired has been approved to receive, or has been assigned, a certificated credit under the MBT. Specifically, the bills address MEGA tax credits awarded to the company Federal-Mogul in 2004 and the status of those credits following the acquisition of Federal-Mogul by Tenneco in 2018.</td>
<td>A MEGA tax credit policy to address the Federal-Mogul/Tenneco retention tax credit issue was adopted by the Michigan Strategic Fund Board on 4/14/2020. The policy has been posted on the transparency webpage of the MEDC website at <a href="https://www.michiganbusiness.org/reports-data/transparency/?pc=69&amp;cc=118">https://www.michiganbusiness.org/reports-data/transparency/?pc=69&amp;cc=118</a>.</td>
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