Detroit Regional Chamber and MichAuto Statement on MEGA Credits

A fundamental element to any healthy and sustainable business environment is trust – trust that when two parties enter into a contract with one another, that both will honor their respective obligations. This is no different when one of the parties is the State of Michigan. By entering into legally enforceable contracts with companies, the State commits to supporting businesses that, in turn, invest in local communities and generate employment opportunities. Upholding these agreements is not merely a legal obligation but a cornerstone of maintaining a trustworthy business environment.

When the State established the Michigan Economic Growth Authority (MEGA) tax credits in the 1990s, it did so to secure existing jobs and incentivize the creation of new ones. Since then, it has been utilized by some of Michigan's largest companies to grow their investments and jobs in the state. Per a 2015 Upjohn Institute study, MEGA "appears to provide greater fiscal and job creation benefits relative to cutting overall state business taxes."

Reneging on such contracts could have detrimental effects, sending a message that Michigan does not honor its commitments. This perception can deter both existing businesses and potential investors, leading them to question the reliability of the State's promises and benefit of doing business here. The resulting uncertainty may drive businesses to relocate or choose other states with more stable environments to the detriment of Michigan's economic competitiveness and growth.

It is important to note that MEGA requires substantial capital investment and demonstrable job creation and retention before any benefits are conferred to a business. These credits are only granted after the State conducts thorough audits to ensure that companies have fulfilled their commitments. This process safeguards public resources and ensures that the incentives yield tangible economic benefits.

It is also worth noting that, despite some rumors or speculation regarding using the elimination of MEGA to fund roads, as it currently stands, HB 4186 is not part of the $3.1B road package solution. While we are ready and willing to discuss the future of economic development and incentives here in Michigan, tie-barring these two together is neither appropriate nor financially necessary given other already identified funding options.

This is doubly true when considering the plethora of incentives other states continue to offer to lure businesses away from Michigan. The announcement in the fall of 2021 of the BlueOval projects in Tennessee and Kentucky, which received billions in government support to secure, was a startling wake-up call for Michigan that underscores this reality.

The reason there is such fierce competition for investments in sectors like vehicle manufacturing is that they have a significant multiplier effect on Michigan's economy. Each job in the automotive and mobility industry creates additional jobs across numerous ancillary industries. This has been the animating dynamic of Michigan's economy for over a century, one which the Detroit Regional Chamber and MichAuto are dedicated to preserving for another 100 years.

To put it plainly, raising the Michigan Business Tax, and thereby eliminating the MEGA credits currently held by companies that have met their obligations and contributed significantly to our state's economy, is bad for Michigan. It would mean not only lost revenue for impacted companies, but it also increases their effective tax rate, which is watched by market analysts to determine a company's health. This would discourage other companies from investing in Michigan, undermining efforts to create a pro-business, pro-growth environment. Supporting and honoring business development incentives is essential for Michigan's ongoing economic vitality and its reputation as a reliable partner for business growth.