



MEMORANDUM

TO: Honorable Members of the Michigan House Committee on Economic Development and Small Business

FROM: Leah Robinson, Michigan Chamber of Commerce

SUBJECT: MI Chamber Shares Opposition to Research and Development Tax Credit Bills as Written

DATE: October 17, 2023

This memo is to voice the Michigan Chamber's **opposition to House Bills 5099-5102** as introduced, which would create a Research and Development (R&D) tax credit. Although we generally agree and appreciate the sponsors emphasizing that R&D tax credits are a beneficial economic development tool, we believe it should be structured to benefit companies both attracting and retaining jobs in critical industries innovating in Michigan. Michigan's goal for an R&D tax credit should be to improve Michigan's business and economic climate for companies of all sizes and offer fair, simple, and impactful incentives.

We understand that amendments are being discussed and would encourage you to consider the following goals when formulating changes:

- **Fairness.** To urge fairness for businesses that have already been investing in Michigan's R&D space, we'd urge sponsors consider both new and existing businesses for eligibility, those that pay the Corporate Income Tax (CIT) and the Michigan Business Tax (MBT).
- **Simplicity and reliability.** As written, the bill gives the Michigan Strategic Fund (MSF) unfettered authority to make subjective decisions about who receives a tax credit. Instead, look to the Michigan Department of Treasury to administer this program for two reasons:
 - Allowing Treasury to administer a broad-based credit, rather than an application-based credit, provides annual reliability and predictability for businesses seeking this relief.
 - A broad-based credit removes the immense hurdle eligible businesses would have to face to only apply for a credit. A simple broad-based credit ensures the incentive is as encouraging and desirable as possible.
- **Impactful.** The \$100 million annual cap, the \$2 million cap per filer for large businesses and the \$250,000 cap per filer for small businesses is too low and would not incentivize large, meaningful capital investments. Raising the aforementioned caps would allow for more impact.

An R&D tax credit, if structured appropriately, can add significant value to current and future Michigan businesses in industries and sectors leading the way for technological growth and development. We look forward to working with you to craft legislation that accomplishes the goals outlined above.

If you have any questions, please do not hesitate to contact me at (865) 235-9616 (cell) or lrobinson@michamber.com.