



# OAG

Office of the Auditor General

## Report Summary

### Performance Audit

*Michigan Economic Growth Authority (MEGA)  
Tax Credit Program*

*Michigan Strategic Fund (MSF), Department  
of Talent and Economic Development*

**Report Number:**  
186-0415-16

**Released:**  
September 2017

Public Act 24 of 1995 created the MEGA tax credit to promote economic growth and job creation within the State. The tax credit is refundable toward a business's Michigan Business Tax (MBT) liability. It is awarded to Michigan businesses that entered into an agreement with the MEGA Board and committed to making capital investments and creating and/or retaining an agreed-upon number of jobs within the State. Because the MBT was replaced with the Corporate Income Tax effective January 1, 2012, no new MEGA tax credit agreements were made after December 2011. Between October 1, 2013 and June 30, 2016, MSF authorized for redemption \$1.4 billion in MEGA tax credits. The estimated remaining liability outstanding during October 2016 was \$7.3 billion.

Audit Objective			Conclusion
Objective #1: To assess the sufficiency of MSF's procedures to approve requests for MEGA tax credit certificates.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
None reported.		Not applicable.	

Audit Objective			Conclusion
Objective #2: To assess MSF's compliance with the <i>Michigan Compiled Laws</i> reporting requirements for its annual report to the Legislature.			Complied, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSF needs to improve its reporting of annual MEGA tax credit information to designated recipients. MSF's fiscal year 2014 and 2015 reports did not include the cumulative values of tax credits, which provide valuable information necessary for program evaluation and decision-making ( <u>Finding #1</u> ).		X	Agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Statutes limit public transparency of MEGA tax credit information ( <u>Observation #1</u> ).			Not applicable for observations.

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