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Mr. Michael LaFaive  
Director of Fiscal Policy  
Mackinac Center for Public Policy  
140 West Main Street  
P.O. Box 568  
Midland, MI 48640

Dear Mr. LaFaive:

The following information is in response to your recent inquiry regarding Kmart's tax credits.

The total amount of SBT credits that Kmart has received for the two projects through their 2001 tax year is \$ \$6,102,215. The company has not requested credits for the 2002 tax year. Depending on the company's Michigan employment and employment at the Headquarters facility, it may or may not be eligible to receive a credit for 2002 or, for that matter, in future years.

Kmart's credits were granted on the basis of the company having at least 3,712 jobs to be eligible for the 1998 credit and 4,159 jobs to be eligible for the 2000 credit. A company must maintain a base level of jobs in Michigan and create at least 75 net new jobs to collect the credit. The numbers above reflect the required base jobs and the minimum 75 needed to be eligible.

If Kmart's employment numbers fall below the employment numbers above, one or both of the credits could be unavailable. The credits are self-limiting based on the employment level of the company in the state and at the location of the project.

It was also required that the company make capital investment in the facilities. Kmart had planned on investing up to \$108 million in the 1998 project and \$50 million in the 2000 project.

It should be noted that the MEGA credit is only a portion of Kmart's single business tax liability. Kmart's investment at the Headquarters has increased local and state property tax collections, the new jobs have increased personal income tax payments, and increased personal income has created additional spending for retail and service goods. In addition, the construction and renovation of the facilities created temporary construction jobs during the construction phase of the project.

Sincerely,

Theresa A. Rashid  
MEDC FOIA Coordinator

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