

**The Economic Effects on Michigan of  
the INCAT Systems, Inc., Facility Expansion Decision**

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### Abstract

*INCAT Systems, Inc., a professional services organization that offers consulting and product information content services for aerospace, automotive, and other durable goods manufacturers, is considering expansion of its operations in Novi, Michigan. The facility would employ an additional 300 people by 2014. We estimate that by 2014, this expansion will have generated a total of 535 jobs in the state. Total state government revenues through 2014, net of MEGA costs and adjusted for inflation, would increase by \$13,806,000 (2004 dollars) due to the expansion of INCAT Systems, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if INCAT Systems, Inc., a professional services organization that offers consulting and product information content services for aerospace, automotive, and other durable goods manufacturers, expands its operations in Novi, Michigan (SIC 7373). Investment activity would take place between 2005 and 2009, with an investment of \$5.35 million. The facility would employ an additional 300 people by 2014.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2005 to 2014, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2005 to 2014 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2014, the first year of full operations, an additional 535 jobs are generated in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion is 1.8 for 2014, the first year of full operations. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if INCAT Systems, Inc., were to expand its operations in Michigan under the incentive program, state personal income in 2014 would be higher by \$63.6 million (in current dollars)

than it would be without the expansion. Adjusted for inflation, this number in 2004 dollars would be \$41.4 million in 2014.

The gain in economic activity results in higher state government revenues. We estimate that in 2014, the first year of full operations, the expanded facility would generate \$4,891,000 in additional gross state government revenue, and that the MEGA package would provide a \$2,030,000 incentive to INCAT Systems, Inc. Thus, the INCAT Systems, Inc., expansion would increase state government revenues in 2014 by \$2,861,000, net of MEGA incentive costs.

Over the period 2005 to 2014, gross state government revenue is projected to increase by \$28,245,000 (in current dollars) due to the expansion of INCAT Systems, Inc. The MEGA incentive package for INCAT Systems, Inc., is forecast to cost \$8,326,000 over the period, resulting in a net increase in state government revenue of \$19,919,000. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2014 would be \$13,806,000 in 2004 dollars.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the INCAT Systems, Inc., Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total 2005-2014
Total Employment	81	163	237	320	410	520	646	618	586	535	—
Manufacturing	2	3	3	3	2	0	0	0	0	0	—
Nonmanufacturing	79	160	234	317	408	520	646	618	586	535	—
Retail Trade	16	33	48	66	85	104	124	121	116	107	—
Services	50	101	149	201	258	336	427	413	395	367	—
Other	13	26	37	50	65	80	95	84	75	61	—
In current dollars (thousands):											
Personal income	4,900	10,600	16,800	23,700	31,700	42,000	54,700	57,800	61,500	63,600	367,300
Gross state revenue	377	815	1,292	1,823	2,438	3,230	4,206	4,445	4,729	4,891	28,245
MEGA cost	87	192	317	463	636	807	995	1,204	1,594	2,030	8,326
State revenue net of MEGA cost*	290	623	975	1,360	1,802	2,423	3,211	3,241	3,135	2,861	19,919
Adjusted for inflation (thousands of 2004 dollars):											
Personal income	4,026	8,329	12,854	17,750	22,845	29,612	37,515	38,772	40,636	41,370	253,710
Gross state revenue	310	641	988	1,365	1,757	2,277	2,885	2,982	3,125	3,181	19,510
MEGA cost	72	151	243	347	458	569	683	808	1,053	1,320	5,704
State revenue net of MEGA cost*	238	490	745	1,018	1,299	1,708	2,202	2,174	2,072	1,861	13,806

\*These estimates do not include any state government revenue losses due to the Investment Tax Credit.