Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 869 (Substitute S-1 as reported)
Sponsor: Senator Patricia L. Birkholz
Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the plant rehabilitation and industrial development Act (commonly referred to as P.A. 198) to create a five-year exemption to the industrial facility tax for a speculative building, new facility, or replacement facility owned or operated by a "qualified start-up business", as defined by Senate Bill 862, which would create a single business tax credit for start-up businesses. Under Senate Bill 869 (S-1), the five-year period for the exemption would begin December 31 of the year in which a qualified start-up business first claimed the credit under Senate Bill 862.

Start-up businesses that would qualify for the exemption from the industrial facility tax would not be exempt from the portion of the tax attributable to special assessments levied by the local tax collecting unit in which the property is located; ad valorem property taxes specifically levied for the payment of principal and interest of obligations approved by the electors or obligations pledging the unlimited taxing power of the local governmental unit; or school districts' enhancement millage or sinking fund tax levies. This portion of the industrial facility tax would have to be collected and disbursed proportionately to the taxing unit or units that levied the tax.

MCL 207.561 Legislative Analyst: J.P. Finet

FISCAL IMPACT

This bill would reduce local government revenue and School Aid Fund revenue by an unknown and probably very small amount. It is estimated that total property taxes paid by businesses that would qualify as a start-up business, as defined in Senate Bill 862, would equal $500,000. There is no way to know how many of these eligible firms are subject to the industrial facilities tax, but if 10% of these total property taxes were derived from the industrial facilities tax, then Senate Bill 869 (S-1) would reduce revenue by $50,000, of which local government property taxes would be reduced an estimated $25,000. Local school tax revenue also would be reduced by about $25,000, but a school's share of industrial facilities taxes is deposited into the School Aid Fund, so the loss of this revenue would affect the School Aid Fund. The first year in which a qualified taxpayer could receive this exemption would be 2006.

Date Completed: 3-31-04 Fiscal Analyst: Jay Wortley