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S.B. 870 (S-1)-872 (S-1): FLOOR ANALYSIS

Senate Bill 870 (Substitute S-1 as reported by the Committee of the Whole) Senate Bill 871 (Substitute S-1 as reported by the Committee of the Whole) Senate Bill 872 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Senator Alan L. Cropsey (S.B. 870) Senator Ron Jelinek (S.B. 871) Senator Bruce Patterson (S.B. 872)

Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bills would amend various acts to exempt a qualified start-up business from specific taxes levied under those acts, for five consecutive years beginning on December 31 of the year in which the business first claimed the credit allowed under Section 31a of the Single Business Tax Act (proposed by Senate Bill 862), or the proposed income tax credit under Senate Bill 863.

(Under Senate Bill 862, a "qualified start-up business" would be a business that had fewer than 25 employees; had sales under \$1 million in the tax year for which the credit was claimed; was not publicly traded; and attributed at least 15% of its expenses for the tax year in which the credit was claimed to research and development.)

<u>Senate Bill 870 (S-1)</u> would amend the Obsolete Property Rehabilitation Act to exempt a rehabilitated facility owned and operated by a qualified start-up business from the obsolete properties tax, which is levied upon the owner of a rehabilitated facility to which an obsolete property exemption certificate is issued.

<u>Senate Bill 871 (S-1)</u> would amend the Neighborhood Enterprise Zone Act to exempt a new or rehabilitated facility owned or operated by a qualified start-up business from the neighborhood enterprise zone tax, which is imposed on the owner of a new or rehabilitated facility to which a neighborhood enterprise zone certificate is issued.

<u>Senate Bill 872 (S-1)</u> would amend the Technology Park Development Act to exempt a qualified start-up business from the technology park facilities tax, which is levied upon every owner and every user or occupant, if known, of a facility to which a certificate is issued under the Act.

MCL 125.2790 (S.B. 870) 207.779 (S.B. 871) 207.712 (S.B. 872) Legislative Analyst: Julie Koval

FISCAL IMPACT

The bills are not tie-barred to Senate Bill 862, but if that bill were not enacted, Senate Bills 870 (S-1), 871 (S-1), and 872 (S-1) would have no fiscal impact.

If Senate Bill 862 were enacted, the bills would reduce State and local revenue and increase School Aid Fund expenditures by an unknown and likely negligible amount. To be eligible for the exemption, a firm would need to be a nonpublicly traded business with fewer than 25 employees, sales of less than \$1 million, and research and development expenditures of at least

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15% of expenses, and not show a profit but still have a single business tax (SBT) liability. Based on current estimates, the total of all property taxes on property of such businesses is approximately \$500,000, without accounting for areas such as renaissance zones, enterprise zones, brownfield zones, etc. or special provisions such as those regarding obsolete property that has been rehabilitated. What share of this property is located in an enterprise or other zone is unknown, but if 10% of this property were located in areas affected by these bills or were property affected by these bills, the bills would reduce State and local revenue by less than \$50,000. Because School Aid Fund payments to school districts increase as locally raised revenue declines, a decline in locally raised revenue under the bill would increase payments, by less than \$50,000, from the School Aid Fund.

Date Completed: 2-10-04 Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.