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BILL ANALYSIS

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Senate Bill 926 (as introduced 12-7-05)
Sponsor: Senator Nancy Cassis
Committee: Finance

Date Completed: 5-31-06

CONTENT

The bill would amend the Michigan Strategic Fund Act to modify the criteria for a property tax exemption for research and development enterprises that receive or have received at least \$1.0 million in financial aid under Section 74 (dealing with the Research Center Fund); and to extend the exemption to enterprises that received at least \$1.0 million from sources funded under Section 74 or a 1999-2000 appropriation to the Core Communities Fund.

Under Section 74, money held in the Research Center Fund may be used to provide financial aid to certain nonprofit research and development enterprises. Property owned and used or occupied by such an enterprise that receives or has received financial aid of at least \$1.0 million under Section 74 (or under former Public Act 70 of 1982) is exempt from ad valorem real and personal property taxes imposed under the General Property Tax Act while the enterprise is using or occupying the property solely for the purpose of performing research and development in present and emerging technology and its application to business and industry, provided that the enterprise retains its nonprofit status under Section 501(c)(3) of the Internal Revenue Code.

Under the bill, the exemption would apply to personal property that was leased, owned, and used, or that portion of real property that was leased, subleased, owned, or occupied by a nonprofit research and development enterprise that received or had received financial aid of at least \$1.0 million under Section 74 (or under former Public Act 70 of 1982), or that had received at least \$1.0 million from an organization with tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, that received financial benefit or support directly or indirectly under the Strategic Fund Act or Section 117 of Public Act 291 of 2000. The exemption would apply while the property was leased, subleased, owned, used, or occupied by the enterprise solely for the purpose of performing or coordinating research and development activities (described above), provided that the enterprise retained its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

(Section 117 of Public Act 291 appropriated \$50.0 million for fiscal year 1999-2000 to be deposited in the Michigan Core Communities Fund within the Michigan Strategic Fund.

Public Act 70 of 1982 created the Economic Development Authority to encourage economic growth in the State through loans to businesses and municipalities, as well as grants to research and development enterprises under certain conditions. The Act was repealed by Public Act 270 of 1984.)

FISCAL IMPACT

The bill would reduce State and local property tax revenue by an unknown amount and increase School Aid Fund expenditures by an unknown amount. The fiscal impact assumes the wording of the bill is changed so that personal property eligible for the exemption would not have to be both leased and owned. The amount of the impact would depend on the value of the property affected and the millage rate levied against the property. While the enterprise receiving the exemption would have to receive at least \$1.0 million in direct support or support from a 501(c)(3) organization (which could have received any amount of support under the Act or Section 117 of Public Act 291 of 2000), no limits are placed on the value of property that could be exempted. School Aid Fund expenditures would increase to offset any reduction in local school operating revenue due to the bill in order to maintain per-pupil funding guarantees.

This estimate is preliminary and will be revised as new information becomes available.

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