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BILL ANALYSIS

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Senate Bill 432 (as enacted)
Sponsor: Senator Ken Horn
Senate Committee: Economic and Small Business Development
House Committee: Commerce and Tourism
Ways and Means

PUBLIC ACT 216 of 2020

Date Completed: 2-17-21

CONTENT

The bill amended the Michigan Strategic Fund Act to revise the criteria under which certain nonprofit research and development enterprises are exempt from taxation under the General Property Tax Act.

Under the Michigan Strategic Fund Act, the Michigan Strategic Fund (MSF) may use the money held in the Research Center Fund to provide financial aid to certain nonprofit research and development enterprises. "Research and development enterprise" means any person found by the MSF to be engaged in a business that uses green chemistry as a design guidance, or the discovery of new substances and the refinement of known substances, processes, products, theories, and ideas, except for those persons whose businesses are directed primarily to the accumulation or analysis of commercial, financial, or mercantile data.

Previously, personal property that was leased or owned, and used, or a portion of that real property that was leased, subleased, or owned, and occupied by a nonprofit research and development enterprise that received financial benefit or support under the Act, or Section 117 of Public Act 291 of 2000 of at least \$1.0 million or that had received financial benefit or support of 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 Michigan Strategic Fund Act or Section 117 of Public Act 291 of 2000 was exempt from the taxes collected under the General Property Tax Act, while the property, was leased, subleased, owned, used, or occupied by that nonprofit research and development enterprise solely for the purpose of performing or coordinating research and development in present and emerging technology and of the application of that technology to business and industry and provided that the research and development enterprise retains its tax-exempt status under Section 501(c)(3).

(Section 117 of Public Act 291 of 2000 appropriated \$50.0 million for fiscal year 1999-2000 to be deposited in the Michigan Core Communities Fund within the MSF. Section 501(c)(3) of the Internal Revenue Code lists organizations that are exempt from taxation under the Internal Revenue Code. These organizations include corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, among other things.)

Under the bill, personal property that is *leased, owned, or used, or real property that is leased, subleased, or owned*, by a nonprofit research and development enterprise that receives or

has received financial benefit or support under the Michigan Strategic Fund Act or Section 117 of Public Act 291 of 2000 in the amount of \$1.0 million or more or that has received financial benefit or support outlined above is exempt from the taxes collected under the General Property Tax Act while the property is leased, subleased, owned, used, or occupied by that nonprofit research and development enterprise solely for the purpose of performing or coordinating research or development *or, through December 31, 2024, supporting research and development* in present and emerging technology and on the application of that technology to business and industry and provided that the research and development enterprise retains its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The bill took effect October 15, 2020.

MCL 125.2074

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: Cory Savino

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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.