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House Bill 5341 (Substitute H-5 as reported by the Committee of the Whole)

House Bill 5342 (Substitute H-2 as reported without amendment)

House Bill 5343 (Substitute H-3 as reported without amendment)

Sponsor: Representative Matt Milosch (H.B. 5341)

Representative Glenn Steil, Jr. (H.B. 5342)

Representative Scott Hummel (H.B. 5343)

House Committee: Tax Policy

Senate Committee: Economic Development, Small Business and Regulatory Reform

## **CONTENT**

The bills would amend various acts to allow the governing body of a local tax collecting unit to adopt a resolution giving a tax exemption to a qualified start-up business, upon its application for an exemption. Before acting on the resolution, the governing body of the local tax collecting unit would have to give the unit's assessor and a representative of the affected taxing units that levy property taxes, an opportunity for a hearing.

House Bill 5341 (H-5) would amend the General Property Tax Act to allow an exemption for the real and personal property of a qualified start-up business that was used in conducting the business activities of the start-up business. House Bill 5342 (H-2) would amend the Enterprise Zone Act to allow an exemption for a facility owned or operated by a qualified start-up business from the specific tax imposed on facilities in enterprise zones. House Bill 5343 (H-3) would amend the Obsolete Property Rehabilitation Act to allow an exemption from the obsolete properties tax for a rehabilitated facility owned and operated by a qualified start-up business.

The bills are tie-barred to House Bill 5331, which would create a single business tax credit for a qualified start-up business.

"Qualified start-up business" would mean a business that had fewer than 25 full-time equivalent employees; had sales under \$1 million in the tax year for which the credit was claimed; and was not publicly traded; research and development would have to make up at least 15% of the business's expenses in the tax year for which the credit was claimed. The taxpayer also would have to meet certain criteria regarding its contribution liability under the Michigan Employment Security Act.

Proposed MCL 211.7gg (H.B. 5341)

Legislative Analyst: J.P. Finet

MCL 125.2121c (H.B. 5342)

MCL 125.2790 (H.B. 5343)

## **FISCAL IMPACT**

House Bill 5341 (H-5) and House Bill 5343 (H-3) would each reduce local property tax revenue by an unknown amount. It is unknown how many local units would approve the proposed exemptions, the value of the property that would be exempted, or the millage rates applied to the property.

House Bill 5342 (H-2) would likely have no impact on State or local revenues. The provisions under the Enterprise Zone Act sunset with 2005 tax liabilities. Given the timing requirements of the bill, combined with the timing requirements for eligibility as a qualified business, no taxpayers are likely to receive an exemption before the tax expires. If the sunset is extended, the bill would reduce State and local tax revenue by an unknown amount: It is unknown how many local units would approve the proposed exemption, the value of the property that would be exempted, or the millage rates applied to the property.

Date Completed: 5-13-04

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.