

Legislative Analysis



START-UP BUSINESS TAX BENEFITS

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House Bill 6025

Sponsor: Rep. Matt Milosch

House Bill 6026

Sponsor: Rep. Scott Hummel

Committee: Tax Policy

Complete to 6-18-04

A SUMMARY OF HOUSE BILLS 6025 AND 6026 AS INTRODUCED 6-16-04

House Bill 6025 would amend the General Property Tax Act (MCL 211.7hh) to allow a local tax collecting unit to exempt all real and personal property of a qualified start-up business from taxation under the act. House Bill 6026 would amend the Obsolete Property Rehabilitation Act (MCL 125.2790) to allow a local unit to provide a rehabilitated facility owned by a qualified start-up business with an exemption from the obsolete properties tax. (A “qualified start-up business” is defined later.)

In each case, the exemptions would be effective for five consecutive tax years beginning on the December 31 of the tax year in which the business first claimed the start-up credit under the single business tax or income tax acts, or the year in which the resolution granting the exemption was adopted, whichever was later. A business could claim the exemption by filing an affidavit with the assessor of the local tax collecting unit.

In each case, the clerk of the local unit would have to notify the assessor of an application for an exemption and the legislative body of each affected taxing unit. Before acting on the resolution to grant the exemption, the governing body of the local tax collecting unit would have to afford the assessor and representatives of affected units an opportunity for a hearing.

The exemptions would not apply to special assessments, ad valorem property taxes specifically levied for the payment of principal and interest of bonds, and certain taxes levied under the Revised School Code.

[Under the Obsolete Property Rehabilitation Act, a qualified local unit of government may establish an obsolete property rehabilitation district to provide property tax abatements to commercial facilities and residential property undergoing rehabilitation. In lieu of the property taxes levied under the General Property Tax Act, the act levies the obsolete properties tax, which is based on the taxable value of the facility before rehabilitation. School taxes are only abated under the act under special circumstances.]

Qualified Start-Up Business. A “*qualified start-up business*” is defined in the Single Business Tax Act to mean a business that (1) has fewer than 25 full-time equivalent employees; (2) has sales of less than \$1 million in the tax year for which the credit is claimed; (3) has research and development expenses (as defined under the federal Internal Revenue Code) that constitute at least 15 percent of its expenses in the tax year for which the credit is claimed; (4) is not publicly traded; and (5) was in or would have been in the first two years of contribution liability under the Michigan Employment Security Act, in the immediately preceding seven years. This term was added to the Single Business Tax Act by Public Act 126 of 2004 (House Bill 5331). That act creates an SBT credit for this category of businesses.

FISCAL IMPACT:

The fiscal impact of HB 6025 and HB 6026 would depend on the number of qualified start-up businesses and the degree to which local units approve exemptions.

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