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Senate Bill 1116 (as introduced 3-18-04)  
Sponsor: Senator Gerald Van Woerkom  
Committee: Finance

Date Completed: 3-30-04

## **CONTENT**

The bill would amend the Single Business Tax (SBT) Act to allow SBT payers to deduct from their tax base income received from either grants from the Michigan Technology Tri-Corridor Small Business Innovation Research (SBIR) Emerging Businesses Fund administered by the Michigan Economic Development Corporation; or SBIR grants and small business technology transfer programs established under the Federal Small Business Innovation Development Act of 1982 and reauthorized under the Small Business Research and Development Enhancement Act and the Small Business Reauthorization Act of 2000.

MCL 208.9

## **BACKGROUND**

The 2004 Michigan Technology Tri-Corridor Program has allocated \$1 million for the Michigan Technology Tri-Corridor SBIR Emerging Business Fund to foster growth in the automotive, life sciences, and homeland security industries. The purposes of this Fund are to increase the numbers and competitiveness of Michigan SBIR proposals by providing support to Michigan businesses, and to increase the success of Michigan businesses.

The SBIR is a Federal program that encourages small businesses to explore their technological potential and provide the incentive to profit from its commercialization. Each year, 10 Federal departments and agencies are required to reserve a portion of their research and development funds for award to small businesses that submit proposals to the program. Qualified businesses may receive up to \$850,000 to support the exploration of the technical merit or feasibility of an idea or technology and to evaluate its commercial potential. To be eligible, a business must be American-owned, independently operated, and for profit; employ the principal researcher; and have fewer than 500 employees.

Legislative Analyst: J.P. Finet

## **FISCAL IMPACT**

In FY 2001-02, small businesses in Michigan received approximately \$27 million in Small Business Innovation Research (SBIR) and Small Business Technology Transfer (SBTT) grants from the Federal Government. In addition, \$1 million in matching grants is planned to be issued through the Michigan Technology Tri-Corridor SBIR Emerging Business Fund. Given that this bill would allow businesses to deduct this grant revenue from their single business tax base, it is estimated the bill would reduce single business tax revenue by less than \$0.5 million. This loss in revenue would affect General Fund/General Purpose revenue. There would not be any direct impact on local governments.

Fiscal Analyst: Jay Wortley

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