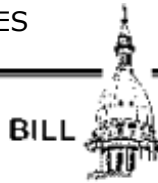




Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

**BILL ANALYSIS**

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House Bill 5331 (Substitute H-2 as reported with amendment)
Sponsor: Representative Lorence Wenke
House Committee: Tax Policy
Senate Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the Single Business Tax Act to create a single business tax credit for a "qualified start-up business", for tax years beginning after December 31, 2004.

A taxpayer that was a qualified start-up business that did not have business income for two consecutive tax years, could claim a credit against the single business tax (SBT) for the second year and each immediately following consecutive tax year in which the taxpayer did not have business income. The credit would equal the taxpayer's SBT liability for the tax year in which the taxpayer had no business income. If the taxpayer had business income in any tax year after the credit was claimed, the taxpayer could claim the credit for any following tax year only if it subsequently had no business income for two consecutive years. The taxpayer could claim the credit for the second of those two consecutive tax years and each immediately following tax year in which the taxpayer had no business income. The credit could not be claimed for more than five years in total.

"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 would have to meet criteria regarding its contribution liability under the Michigan Employment Security Act, and its payments to shareholders, directors, officers, partners, or individual owners could not exceed \$135,000 for the tax year for which the credit was claimed.

Proposed MCL 208.31a

Legislative Analyst: J.P. Finet

FISCAL IMPACT

Based on information on businesses in Michigan that conduct some type of research and development activity, it is estimated that only a small number of firms would meet all of the requirements contained in this bill and qualify for the proposed single business tax credit. It is estimated that this bill would reduce single business tax revenue by less than \$1 million annually. This loss in revenue would have a direct impact only on General Fund/General Purpose revenue because all single business tax revenue is earmarked to the General Fund. Local governments would not be directly affected by this bill.

Date Completed: 5-6-04

Fiscal Analyst: Jay Wortley

[floor\hb5531](#)

[Analysis available @ http://www.michiganlegislature.org](http://www.michiganlegislature.org)

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.

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