



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5335 (Substitute H-2 as reported without amendment)

Sponsor: Representative John Stakoe

House Committee: Tax Policy

Senate Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the Neighborhood Enterprise Zone Act to allow the governing body of a local tax collecting unit to adopt a resolution that exempted from the neighborhood enterprise zone tax a new or rehabilitated facility owned or operated by a qualified start-up business, upon its application for the 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. Within 60 days of becoming exempt, the qualified start-up business would have to file an exemption affidavit with the assessor of the local tax collecting unit.

The bill is 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.

MCL 207.779

Legislative Analyst: J.P. Finet

FISCAL IMPACT

House Bill 5335 (H-2) would reduce State and local taxes by an unknown and likely zero 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. Furthermore, property qualified under the Neighborhood Enterprise Zone Act would be unlikely to meet the research and development requirements to be a qualified business under the bill.

Date Completed: 5-11-04

Fiscal Analyst: David Zin