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BILL ANALYSIS



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House Bill 5823 (Substitute H-1 as passed by the House)  
House Bill 5824 (Substitute H-2 as passed by the House)  
Sponsor: Representative Lorence Wenke  
House Committee: Tax Policy  
Senate Committee: Finance

Date Completed: 6-23-04

### **CONTENT**

**House Bill 5823 (H-1) would amend the General Property Tax Act to exempt the real property of an "innovations center" located in a certified technology park (also known as a smart zone) from the tax. Not more than one center per park could be exempt from the tax.**

**House Bill 5824 (H-2) would amend the Act to exempt from the property tax the personal property of an innovations center that was owned or used by the administration of the center or by a "qualified high-technology business".**

Under the bills, "innovations center" would mean real property that was a "business incubator" as that term is defined in Section 2 of the Local Development Financing Act; was located within a single building; and was primarily used to provide space and administrative assistance to one or more qualified high-technology businesses located within the building. (The Local Development Financing Act defines "business incubator" as real and personal property that is located in a certified technology park, as designated by a written agreement between the municipality and the Michigan Economic Development Corporation.)

The bills would define "qualified high-technology business" as either 1) a business with at least 25% of its total operating expenses used for research and development as determined under generally accepted accounting principles; or 2) a business whose primary business activity is "high-technology activity".

Both bills would define a "high-technology activity" as one or more of the following:

- Advanced computing, i.e., any technology used in the design and development of computer hardware and software, data communications, or information technologies.
- Advanced materials, i.e., materials with engineered properties created through the development of specialized process and synthesis technology.
- Biotechnology, i.e., any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes. Biotechnology would not include human cloning as defined in the Public Health Code or stem cell research with embryonic tissue.
- Electronic device technology, i.e., any technology that involves microelectronics, semiconductors, electronic equipment and instrumentation, radio frequency, microwave

- and millimeter electronics, optical and optical-electrical devices; or data and digital communications and imaging devices.
- Engineering or laboratory testing related to the development of a product.
- Technology that assists in the assessment or prevention of threats or damage to human health or the environment, including environmental cleanup technology, pollution prevention technology, or development of alternative energy sources.
- Medical device technology, i.e., any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated.
- Life science technology, i.e., technology that has a medical diagnostic or treatment value, including pharmaceutical products.
- Product research and development.

Proposed MCL 211.7ii (H.B. 5823)

Proposed MCL 211.9j (H.B. 5824)

## **BACKGROUND**

Public Act 248 of 2000 amended the Local Development Financing Act to permit a municipality (city, village, or urban township) with a local development finance authority to apply to the Michigan Economic Development Corporation (MEDC) for designation of all or part of the authority as a "certified technology park" (or smart zone.) The parks are similar to industrial parks and use tax increment financing to develop infrastructure and services. To receive this designation, the applicant must satisfy at least one of various criteria, such as support from a public institution of higher education or private research-based institute; development of a business incubator; or development of property devoted to high technology activity.

As allowed by the Act, the MEDC has designated 11 certified technology parks in the State. (The Act originally set a maximum of 10 but allows two in Wayne County to be counted as one.)

Legislative Analyst: J.P. Finet

## **FISCAL IMPACT**

These bills would reduce property taxes by an unknown amount for certain property in technology parks. At the present time, apparently only the technology park in Kalamazoo has property that would qualify for an exemption, so the fiscal impact of the bills is presently small. In the future, the fiscal impact could increase if additional technology parks develop innovations centers.

Fiscal Analyst: Jay Wortley

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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.