



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



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 6025 (Substitute H-2 as reported with amendments)

Sponsor: Representative Matt Milosch

House Committee: Tax Policy

Senate Committee: Economic Development, Small Business and Regulatory Reform

### **CONTENT**

The bill would amend the General Property Tax Act to exempt the real and personal property of a "qualified start-up business" from taxes levied under the Act after December 31, 2004, if the business applied for the exemption and the governing body of the local tax collection unit adopted a resolution approving the exemption. A qualified start-up business could receive the exemption for up to five nonconsecutive tax years.

A qualified start-up business could claim the exemption by filing an affidavit by May 1 each tax year with the assessor of the local tax collecting unit, and could apply for an extension in filing for the exemption. The bill would require the correction of a tax bill if an exemption were erroneously granted, and provides that a property owner would be liable for penalties and interest if the corrected tax bill were not paid within 60 days.

The exemption would not apply to special assessments, ad valorem property taxes levied for the payment of principal and interest on obligations approved by the electors or pledging the unlimited taxing power of a local unit, or certain enhancement millage or sinking fund taxes levied under the Revised School Code.

"Qualified start-up business" would mean that term as defined in Section 31a of the Single Business Tax Act, proposed by Senate Bill 862 (i.e., a business that had fewer than 25 full-time equivalent employees; had sales of less than \$1,000,000 in the tax year for which the credit was claimed; and was not publicly traded; and for which research and development to made up at least 15% of its expenses in the tax year for which the credit was claimed).

MCL 211.7hh

Legislative Analyst: J.P. Finet

### **FISCAL IMPACT**

The bill would decrease State School Aid Fund and local revenue by an unknown amount, depending on the number of exemptions issued under the conditions established in the bill and the specific characteristics of the property for which exemptions would be granted.

The bill also would increase School Aid Fund expenditures by an unknown amount. Any reduction in school property taxes or other revenue to schools under the bill would require greater School Aid Fund expenditures to bring affected school districts up to the guaranteed level of per pupil revenue.

Date Completed: 7-2-04

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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