



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 6026 (Substitute H-1 as reported with amendment)

Sponsor: Representative Scott Hummel

House Committee: Tax Policy

Senate Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the Obsolete Property Rehabilitation Act to provide that, upon application for an exemption from the obsolete properties tax by a "qualified start-up business", the governing body of a local tax collecting unit could adopt a resolution to exempt a rehabilitated facility of the business from the collection of the tax in the same manner and under the same conditions as provided for the property tax exemption in Section 7hh of the General Property Tax Act (proposed by House Bill 6025). A qualified start-up business would not be eligible for an absolute properties tax exemption for more than five years, but could receive the exemption in nonconsecutive years.

The bill would require the clerk of the local tax collecting unit to give written notice to the assessor and legislative bodies of other local tax collecting units that levied ad valorem property taxes on the property, and give them an opportunity for a hearing before the resolution was adopted.

A qualified start-up business that received the exemption would not be exempt from 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 125.2790

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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