

## **R&D PROPERTY TAX EXEMPTION**

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**Senate Bill 926 (Substitute H-1)**

**Sponsor: Sen. Nancy Cassis**

**House Committee: Tax Policy**

**Senate Committee: Finance**

**Complete to 10-16-06**

## **A SUMMARY OF SENATE BILL 926 (SUBSTITUTE H-1) AS REPORTED FROM COMMITTEE 9-20-06**

The bill would amend the Michigan Strategic Fund Act (MCL 125.2074) to modify the criteria for a property tax exemption for research and development enterprises.

The bill would apply to enterprises that receive or have received at least \$1 million in financial aid under Section 74 (the Research Center Fund), and would extend the exemption to enterprises that received at least \$1 million from sources funded under Section 74 or under a 1999-2000 appropriation to the Core Communities Fund.

Currently, property owned and used or occupied by a nonprofit research and development enterprise that receives or has received financial aid of at least \$1 million under Section 74 (or under former Public Act 70 of 1982) is exempt from real and personal property taxes while the enterprise is using or occupying the property solely for the purpose of performing research and development in present and emerging technology and its application to business and industry, as long as the enterprise retains its nonprofit status under Section 501(c)(3) of the Internal Revenue Code (IRC).

Under Senate Bill 926, the exemption would apply to personal property that was leased, owned, and used, or that portion of real property that was leased, subleased, owned, or occupied by an enterprise that received or had received financial aid of at least \$1 million under Section 74, Public Act 70 of 1982, or Section 117 of Public Act 291 of 2000 (which appropriated \$50 million in FY 1999-2000 to the Core Communities Fund within the MSF) or at least \$1 million from a 501(c)(3) tax-exempt organization that received financial benefit or support directly or indirectly under the Strategic Fund Act or under Section 117 of Public Act 291 of 2000. The exemption would apply while the property was leased, subleased, owned, used, or occupied by the enterprise solely for the purpose of performing or coordinating research and development activities, provided the enterprise retained its nonprofit status.

## **HOUSE COMMITTEE ACTION:**

The House Committee on Tax Policy adopted a Substitute H-1 that makes technical changes to the bill as passed by the Senate.

**FISCAL IMPACT:**

This bill is targeted to a specific entity, Internet2 in Ann Arbor, and will result in a decrease in state and local property tax revenue of an indeterminate amount. In addition, School Aid Fund expenditures will increase by an indeterminate amount to replace any reduction in per-pupil funding from lower local school operating revenue.

***POSITIONS:***

Internet2 supports the bill. (9-20-06)

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