



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

Senate Bill 525 (Substitute S-1 as reported)
Sponsor: Senator Michael D. Bishop
Committee: Commerce and Labor

CONTENT

The bill would amend the Michigan Early Stage Venture Investment Act to change the date by which a Michigan Early Stage Venture Investment Corporation had to be incorporated as a nonprofit corporation that received a favorable determination from the Internal Revenue Service (IRS) that it is exempt from taxation under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code. The Act required incorporation and IRS nonprofit determination by September 1, 2004. The bill would change the deadline to August 1, 2005.

The bill also would allow a Michigan Early Stage Venture Investment Corporation to employ "fund managers", rather than "a fund manager". (The Act provides, however, that the Michigan Early Stage Venture Investment Corporation may employ only one fund manager at any one time.)

MCL 125.2235 & 125.2245

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The U.S. Internal Revenue Service has ruled that the Michigan Early Stage Venture Investment Corporation qualifies as a tax-exempt organization; however, this approval came after September 1, 2004, which under current law was the deadline for receiving such approval from the IRS. Therefore, changing the date by which this IRS approval must be received to August 1, 2005, as proposed by the bill, would correct this timing problem. This is viewed as a technical change and would have no fiscal impact. The bill also would allow more than one fund manager to be hired, but the Act still would allow only one fund manager to be employed at any one time, so it appears that this proposed change would not have any fiscal impact.

Date Completed: 5-23-05

Fiscal Analyst: Jay Wortley