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BILL ANALYSIS

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House Bill 6026 (Substitute H-1 as passed by the House)
Sponsor: Representative Scott Hummel
House Committee: Tax Policy
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 6-30-04

CONTENT

The bill would amend the Obsolete Property Rehabilitation Act to provide that, upon application for an exemption from the obsolete property 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 terms and conditions as provided for the exemption in Section 7hh of the General Property Tax Act (proposed by House Bill 6025).

The clerk of the local tax collecting unit would have to give written notice to the assessor of the local tax collecting unit and the legislative body of each taxing unit that levied ad valorem property taxes in the local tax collecting unit. Before acting on the resolution, the governing body of the local tax collecting unit would have to afford the assessor and a representative of the affected taxing units an opportunity for a hearing.

Should a resolution authorizing the exemption be adopted in the same manner as provided in Section 7hh of the General Property Tax Act, the rehabilitated facility owned or operated by a qualified start-up business would be exempt from the obsolete properties tax, except for that portion attributable to a special assessment or a tax described in Section 7ff(2) of the General Property Tax Act for the year in which the resolution was adopted. (Section 7ff(2) states that property in a renaissance zone is not exempt from special assessments, ad valorem property taxes levied specifically 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.) The obsolete properties tax would have to be disbursed proportionately to the taxing unit or units that levied the special assessment or the tax described in Section 7ff(2) of the General Property Tax Act.

A qualified start-up business would not be eligible for an exemption for more than five years.

As used in the bill, "qualified start-up business" would mean that term as defined in Section 31a of the Single Business Tax Act, which was proposed in Senate Bill 862. (Under Senate Bill 862 (S-1), "qualified start-up business" would mean 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; also, research and development would have to make 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.

Fiscal Analyst: David Zin