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S.B. 875: FLOOR ANALYSIS

Senate Bill 875 (as reported without amendment)

Sponsor: Senator Jud Gilbert, II

Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the City Utility Users Tax Act to exempt a qualified start-up business from the tax imposed in the City of Detroit on intrastate telephone communication services, electrical energy, steam, and natural and artificial gas provided by a public utility or a resale customer, for five years beginning on December 31 of the year in which the business first claimed the credit allowed under Section 31a of the Single Business Tax Act (proposed by Senate Bill 862).

(Under Senate Bill 862, a "qualified start-up business" would be a business that had fewer than 25 employees; had sales under \$1 million in the tax year for which the credit was claimed; was not publicly traded; and attributed at least 15% of its expenses for the tax year in which the credit was claimed to research and development.)

MCL 141.1155 Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill is not tie-barred to Senate Bill 862, but if that bill were not enacted, Senate Bill 875 would have no fiscal impact.

If Senate Bill 862 were enacted, Senate Bill 875 would reduce revenue to the City of Detroit by an unknown and likely negligible amount. To be eligible for the exemption, a firm would need to be a nonpublicly traded business with fewer than 25 employees, sales of less than \$1 million, and research and development expenditures of at least 15% of expenses, and not show a profit but still have a single business tax (SBT) liability. How many of such firms use utilities subject to the tax is unknown, as is the amount of tax levied on their utility consumption. Utility costs for such firms, regardless of that location in the State, or the entity from which their utilities are purchased, are estimated to total less than \$2.9 million, implying less than \$29,400 in utility tax liability. If 20% of these firms' utility expenditures were subject to the tax, the bill would reduce revenues to the City of Detroit by less than \$6,000.

Date Completed: 12-12-03 Fiscal Analyst: David Zin