Legislative Analysis

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SBT CREDIT FOR PERSONAL PROPERTY TAXES: INDUSTRIAL PROCESSORS AND R&D FIRMS

House Bill 4972
Sponsor: Rep. Glenn Steil, Jr.
Committee: Tax Policy

Complete to 7-11-05

A SUMMARY OF HOUSE BILL 4972 AS INTRODUCED 6-16-05

The bill would amend the Single Business Tax Act (MCL 208.35d) to create a refundable credit against the SBT for industrial processors and research and development companies generally equal to 35 percent of the taxes paid on tangible personal property used for industrial processing, including research or experimental activities. Taxes paid on personal property primarily used to support retail sales or other commercial activities could not be used to calculate the credit.

For industrial processors whose only significant business activity is industrial processing and related support activities, the credit would be calculated using 90 percent of the personal property taxes paid and reported by the industrial processor. Other industrial processors and research and development companies would be required to file separate personal property statements with a local assessor for property used for industrial processing or research or experimental activities (and separate statements for other non-eligible property) and then calculate the credit using only the personal property taxes paid on the eligible property. An affiliated group, a controlled group or corporations, or an entity under common control could not claim the credit as a research and development company unless the entities' business activities were consolidated

Under the General Property Tax Act, businesses in the state pay property taxes on both real property and personal property. For the purposes of administering the tax, personal property is self-reported to local assessors by each business on a personal property statement that includes a list of each item and its age. Local assessors then assign a taxable value to each item using depreciation schedules. Generally speaking, personal property is taxed in the same manner as other real property in a local governmental unit.

FISCAL IMPACT:

The bill would reduce GF/GP revenue by an estimated $272 million.

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