



**House
Legislative
Analysis
Section**

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FORGIVE MISSED ABATEMENT DEADLINE

Senate Bill 120 (Substitute H-2)
First Analysis (5-30-89)

RECEIVED

Sponsor: Sen. Norman D. Shinkle
Senate Committee: Finance
House Committee: Taxation JUN 08 1989
Mich. State Law Library

THE APPARENT PROBLEM:

In 1987, the Spectrum Printing Company of Adrian was denied a real property tax abatement under the plant rehabilitation and industrial development act (Public Act 198 of 1974) because it had applied too long after beginning construction of its new plant in an industrial park in neighboring Tecumseh. A company must apply for an abatement within six months of commencing construction (or restoration or replacement), but Spectrum applied about ten months after construction began, reportedly relying on outdated information from government officials in Tecumseh. The six-month time limit applied beginning with applications made after December 31, 1983. Prior to that time, there had been a 12-month time limit. Apparently, local government and company officials were unaware of the change in the law. Some people believe that since the denial of the tax abatement was the result of the company's being misinformed by local public officials, an exception should be made in this case and a new application for an abatement be permitted.

THE CONTENT OF THE BILL:

The bill would amend the plant rehabilitation and industrial development act to allow a company to reapply for an industrial facilities exemption if it had previously applied for one with a local governmental unit in August of 1987 for a facility located in an industrial development district created in 1986 and was denied by the state tax commission. The provision would take effect beginning with taxes levied in 1989. This would be an exception to the requirement that an application be filed no more than six months after the restoration, replacement, or construction of the facility for which the exemption is sought.

The bill would also require that by September 1, 1989, the tax commission provide to all local assessing units the name, address, and telephone number of the person on the commission staff responsible for providing procedural information concerning the act. After October 1, 1989, a local unit would have to notify each prospective applicant of that information in writing.

MCL 207.559

BACKGROUND INFORMATION:

Public Act 33 of 1985 (Senate Bill 148) allowed an exception to the six-month time limit for certain businesses that had missed the deadline either because they were unaware it had been changed or were in the midst of the application process when the new time limit took effect.

FISCAL IMPLICATIONS:

The Senate Fiscal Agency says the bill would lead to a minor reduction in local property tax revenue and a corresponding increase in state expenditures if the school

district involved is an in-formula school district. (2-13-89)

ARGUMENTS:

For:

The bill would help a company obtain a tax exemption it has been denied at the state level due to errors made by officials in the city of Tecumseh. A company that fulfilled all of the requirements it was told had to be met for a property tax abatement nevertheless is unable to receive an anticipated abatement because it applied too late, basing the timing of its application on outdated information. Those knowledgeable about the case say that local officials in both the community from which the company was moving (from a plant it had outgrown) and the one in which it was relocating approved of the move and no local units objected to the tax abatement. Fairness requires that the company not be penalized for following the law as communicated by local officials, and requires that the company be granted the abatement that induced it to choose the location for its new plant. Furthermore, to guard against future mishaps, the bill would require the State Tax Commission to notify local units of the commission staffer who can provide information about Public Act 198 abatements and would require local units to pass this along to businesses.

Against:

Some people who sympathize with the company in this case nevertheless believe that, as a matter of principle, no exceptions aimed at individual taxpayers should be allowed. According to a spokesperson from the State Tax Commission, about 100 abatement applications have been rejected in the past for similar reasons (missed deadlines), and 50-100 each year are rejected for not meeting statutory requirements.

POSITIONS:

A representative of the State Tax Commission said the commission opposed the bill in principle. (5-24-89)