



House
Legislative
Analysis
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INDUSTRIAL TAX ABATEMENT

House Bill 5196 as introduced
First Analysis (11-18-93)

Sponsor: Rep. Mary Schroer
Committee: Taxation

THE APPARENT PROBLEM:

The plant rehabilitation and industrial development act (known as Public Act 198) requires that an application for a tax abatement be filed no later than six months after the commencement of the restoration, replacement, or construction of the facility for which the abatement is being sought. Exceptions have been written into the statute in the past to cover cases where all parties were agreeable to the granting of an exemption but through errors or misunderstandings the technical requirements of the act were not met. Another such case has come to light, this one in the village of Chelsea. According to local officials testifying before the House Taxation Committee, a sales agreement between the village council and the industrial plant promised a tax abatement, but the application was not filed in a timely fashion, reportedly because the plant operators were awaiting the final tabulation of actual costs they thought necessary for the application. (They should instead have filed estimated costs and met the deadline, say officials.)

THE CONTENT OF THE BILL:

The bill would amend the plant rehabilitation and industrial development act to make an exception to the requirement that an application for a tax abatement be filed no later than six months after work on a facility has begun. The exception would be provided to a new facility located in an existing industrial development district owned by a person who filed an application for an industrial facilities exemption certificate in April of 1992 if the application was approved by the local governing body but denied by the State Tax Commission in April of 1993.

MCL 207.559

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill would allow a 100,000-square-foot industrial plant in Chelsea, with over 100 employees, to re-apply for a tax abatement promised by local officials but rejected by the state tax commission because the filing deadline was not met. There are a number of precedents for this kind of exception where the spirit of the abatement law has been met but certain technical requirements were mistakenly not complied with.

Response:

While the legislature has granted such exceptions to the act in the past (to various parts of the state), and while no one has objected to this exception, the practice has been described as "a lousy tradition." Local government officials and company managers ought to be able to comply with technicalities of the abatement law.

POSITIONS:

A representative of the Washtenaw Development Council testified in support of the bill. (11-17-93)

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