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INDUSTRIAL TAX ABATEMENT

House Bill 4567 as enrolled
Public Act 266 of 1994
First Analysis (1-30-95)

Sponsor: Rep. Lyn Bankes
House Committee: Taxation
Senate Committee: Finance (Discharged)

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. Two other such cases have come to light.

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 bill also would remove language referring to the 4 percent sales tax that has been rendered unnecessary with the passage of Proposal A raising the sales tax to 6 percent.

The abatement exception would be provided to:

- 1) 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 October 1993 if the application was approved by the local governing body and the real property portion of the application was denied by the state tax commission in December 1993.
- 2) 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 September 1993 if the personal property portion of the application was approved by the local governing body and the real property

portion of the application was denied by the state tax commission in December 1993.

(Note: A later bill, Senate Bill 874 (Public Act 379 of 1994), amended this same section and, among other things, corrected an error in the language of House Bill 4567.)

MCL 207.554 et al.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

The bill's aim is to allow two abatements to go forward despite technical problems with the application that led to their rejection at the state level. 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 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.