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PA 198: SUBSEQUENT ABATEMENTS

House Bill 5136 (Substitute H-3)
First Analysis (10-10-95)

Sponsor: Rep. Gerald Law
Committee: Tax Policy

THE APPARENT PROBLEM:

Under the plant rehabilitation and industrial development act, commonly referred to as PA 198, industrial facilities can receive property tax abatements for up to 12 years. An exemption certificate must be approved by the legislative body of the local unit of government and by the State Tax Commission. The law does not permit an extension of a certificate or an additional certificate when the original exemption is granted for less than the full period. Some people believe that in the case of new facilities, local units should be granted the flexibility to award subsequent exemptions to a facility, with the total years not to exceed the limit of 12 years. Advocates say this would permit local units to evaluate the impact of the new industry to see if promised levels of economic growth or job production had been met, and if they had, to extend the property tax abatement.

THE CONTENT OF THE BILL:

The bill would amend the plant rehabilitation and industrial development act to specify that when an exemption certificate was awarded to a new facility or speculative building for less than the maximum period, then the owner or lessee could apply for another certificate. The application would have to be made within the final year of the original certificate. If the local unit disapproved the application, there would be no right of appeal (as there is with an initial application). The sum of the exemption periods could not exceed the maximum for a single certificate. The bill would apply to certificates that become effective after December 31, 1995.

MCL 207.566a

FISCAL IMPLICATIONS:

The House Fiscal Agency has described the fiscal impact of the bill as indeterminate. (10-4-95)

ARGUMENTS:

For:

The aim of the bill is to provide local units of government more flexibility in the awarding of PA 198 tax abatements. Currently, an abatement can be granted for up to 12 years, at the discretion of the local unit. But if an abatement is granted for less than the full period, no extension or additional abatement can be granted. It could be advantageous for local units that had doubts about the ability of a company to achieve its promises regarding job growth or other economic benefits to be able to award tax abatements for a shorter duration, with the ability to extend the abatement if the anticipated economic development benefits were actually achieved.

POSITIONS:

The Michigan Townships Association supports the bill. (10-4-95)

House Bill 5136 (10-5-95)