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BILL ANALYSIS



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Senate Bill 668 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Dick Posthumus
Committee: Local, Urban and State Affairs

CONTENT

The bill would create the "Michigan Renaissance Zone Act", which would establish a renaissance zone review board to review applications from qualified local governments for designation of geographic areas as renaissance zones. Beginning after December 31, 1996, a resident or business within a renaissance zone would receive for up to 15 years an exemption or credit from certain taxes. Property located in a zone would be exempt from property taxes for up to 15 years, beginning with taxes levied after 1996. The State would be required to reimburse local and intermediate school districts as well as community colleges for revenues lost because of the tax exemption. The bill also specifies circumstances under which a person or business within a renaissance zone would not be eligible for an exemption, and would provide for reductions in the exemptions or credits during the last three years of eligibility.

For the review board to designate an area as a renaissance zone, an application would have to meet certain criteria, including limiting the size of a zone to 5,000 acres, requiring the submission of a development plan, and limiting to 15 years the duration of an area being designated a renaissance zone. The State Administrative Board would have to review all recommendations from the renaissance zone review board and determine if the applications met certain criteria, including whether adverse economic and socioeconomic conditions existed within the proposed zone, the viability and creativity of the proposed development plan, and the availability of public and private resources. The Administrative Board could designate up to eight renaissance zones, with five located in urban areas and three in rural areas.

Legislative Analyst: L. Arasim

FISCAL IMPACT

Senate Bills 668 (S-2) to 676 would have a fiscal impact on State and local governments; however, it is not possible to provide a meaningful estimate of the impact at this time. In order to calculate the fiscal impact of these bills, estimates would have to be made on such important factors as 1) where the renaissance zones would be located, 2) the number of businesses that would participate and the value of their operations, and 3) how much of the business activity that took place in a renaissance zone would represent new activity that would not have occurred anywhere in Michigan without the creation of renaissance zones. There is not enough information available at this time to make these estimates.

State and Local Government Impact

This package of bills would reduce State revenue going to the General Fund/General Purpose budget, School Aid Fund, and revenue sharing. The GF/GP revenue would be reduced due to the

proposed exemptions to the income tax and single business tax. School Aid Fund revenue would be reduced due to the proposed exemptions to the income tax, State education property tax, industrial and commercial facility taxes, and commercial forest tax. Revenue sharing would be reduced due to the proposed exemptions to the income tax and single business tax. Local government tax revenue would be reduced due to the proposed exemptions to all local operating property taxes, city income taxes, city utility users tax (Detroit only), industrial and commercial facility taxes, enterprise zone taxes, and technology park taxes.

Local School Districts

Senate Bill 668 (S-2) would have a fiscal impact on local school districts with property located in a renaissance zone. The local revenue on millage necessary for such a district to receive its foundation allowance would be reduced by the bill for property in the district included in a renaissance zone. The bill would require local districts to report the amount of lost tax revenue to the Department of Treasury would require the State to reimburse that amount. No appropriation is made, however, for reimbursement payments. Without a specific appropriation for reimbursement payments or a change in the State School Aid Act regarding the taxable value to use in the calculation of State payments under the foundation allowance appropriation, affected districts would not be able to receive their entire foundation allowance. With the designation of renaissance zones scheduled for January 1, 1997, school district reimbursement for local school districts would need to begin in FY 1997-98.

Intermediate School Districts (ISDs) and Community Colleges

The bill would have a fiscal impact on ISDs and community colleges with property in a renaissance zone. Intermediate school districts would lose tax revenue on property included in the zone on their general operating millage, special education operating millage, and vocational education operating millage. Similarly, community colleges with property in the zone would lose revenue on their operating millage. While the bill would require the State to reimburse ISDs and community colleges for these lost revenues, it does not make an appropriation for that purpose. The appropriation and reimbursement mechanism would need to be established for FY 1997-98.

Date Completed: 1-24-96

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.