

## REN. ZONE ELIGIBILITY

### Senate Bill 828 as passed by the Senate First Analysis (2-17-98)

**Sponsor: Sen. Harry Gast**  
**Senate Committee: Appropriations**  
**House Committee: Tax Policy**

#### ***THE APPARENT PROBLEM:***

Personal property, such as machinery and equipment, located in a renaissance zone is exempt from the property tax only if it is located in the zone on tax day and was located in the zone for at least 50 percent of the immediately preceding tax year. Reportedly, the provision was included to prevent a company from moving equipment from a location outside a renaissance zone to a location in a renaissance zone for the purpose of gaining the exemption and then moving it back. However, according to testimony before the House Tax Policy Committee, the provision also has the effect of preventing companies from gaining a legitimate exemption for personal property that, for example, was ordered but did not arrive in time to qualify for equipment that could not be put in place because a new building was not yet complete. (Such instances reportedly have arisen in southwestern Michigan.) Legislation has been proposed that would provide an exception from the time requirement in limited cases.

#### ***THE CONTENT OF THE BILL:***

The bill would amend the General Property Tax Act to exempt personal property located in a renaissance zone on tax day even if it had been located in the zone for less than 50 percent of the immediately preceding tax year if two conditions were satisfied:

- 1) the personal property had not previously been located in Michigan; and
- 2) an owner of the personal property filed an affidavit stating that the property would be located in the zone for at least 50 percent of that tax year.

The bill's effective date would be December 30, 1997.

MCL 211.7ff

#### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bill would have no revenue impact because the property in question was

not taxed before it came into the state and would not be taxed in the state. (Fiscal Note dated 1-6-98)

#### ***ARGUMENTS:***

##### ***For:***

The bill is an attempt to grant the kind of tax exemption for personal property intended by the recently enacted renaissance zone program while maintaining a provision aimed at preventing abuses. It would address cases that occurred in southwestern Michigan and would apply beginning with the 1997 tax year.

##### ***POSITIONS:***

The Department of Treasury has indicated support for the bill. (2-11-98)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.