



P.A. 198 EXCEPTION

**House Bill 5223 as introduced
Revised First Analysis (10-29-97)**

**Sponsor: Rep. Mary Schroer
Committee: Tax Policy**

THE APPARENT PROBLEM:

MCL 207.559

The plant rehabilitation and industrial development act (Public Act 198 of 1974) allows local units of government to grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a lower specific tax instead of regular property taxes. The act contains the process that must be followed and sets forth the requirements that must be met for a certificate to be awarded. Approval is required first by the local unit of government, which must forward an approved application to the state. Approval is then required by the State Tax Commission, which must check to see if the law has been followed properly. The act requires, among other things, that the commencement of the restoration, replacement, or construction of the facility occur not earlier than six months before the filing of the application for the exemption certificate with the local unit. Numerous 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 law were not met. Another such case has recently come to light, involving Variety Die and Stamping of Dexter.

THE CONTENT OF THE BILL:

The bill would amend the plant rehabilitation and industrial development act (Public Act 198 of 1974) to make an exception to the act's requirement that the commencement of the restoration, replacement, or construction of the facility occur not earlier than six months before the filing of the application for the exemption certificate. The exception would apply for a facility that met all of the following requirements: a) it was located in an existing industrial development district owned or occupied by a person who filed an application for an exemption certificate in April of 1996; b) the application was approved by the local legislative body in May of 1996; and c) a certificate of occupancy was granted for the facility in January of 1996.

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FISCAL IMPLICATIONS:

The House Fiscal Agency points out that the bill would result in a loss of local revenue. (See Fiscal Note dated 10-9-97) Lost school revenue is made up by the state.

ARGUMENTS:

For:

The bill would allow an industrial property tax abatement in Dexter to be validated as an exception to the technical requirements of Public Act 198. There are a number of precedents for this. The legislature has on numerous occasions provided this kind of exception in cases where the spirit of the abatement law has been met but certain technical requirements have not been met. In this case, according to the company involved, village officials provided incorrect information about the deadline for filing an exemption. Although the local unit approved the application, it was denied at the state level because the application had not been filed within six months after the start of construction of the addition to the company's manufacturing plant. The bill would allow the company the exemption it was promised for a project that featured a 6,400 square foot addition and nearly \$600,000 in new machinery and equipment.

Against:

While it is true that these sort of exceptions have become common practice, it remains the case that the statute contains a specific process and specific deadlines, and it should not too be much to ask for companies and local units of government to follow the law when seeking and granting property tax exemptions. It should be noted that Governor Engler vetoed a similar bill (Senate Bill 521) on August 13th of this year, saying: "I believe that the deadlines put into law should be followed and granting retroactive exemptions is not sound public policy." In his veto message, the governor went on to say, "I will not sign any more bills that make retroactive exemptions to the requirements of this act."

POSITIONS:

Representatives of Variety Die and Stamping Co. testified in support of the bill. (10-22-97)

The Department of Treasury has indicated its opposition to the bill. (10-22-97).

Analyst: C. Couch

■ 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.

