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SFA



BILL ANALYSIS

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House Bill 5223 (as reported without amendment)

Sponsor: Representative Mary Schroer

House Committee: Tax Policy

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-11-97

RATIONALE

The Plant Rehabilitation and Industrial Developments Districts Act allows local units of government to grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. The certificate grants a property tax abatement to an industrial facility, which then pays a lower specific tax instead of regular property taxes. The Act specifies, among other things, that the commencement of restoration, replacement, or construction of the facility must occur not earlier than six months before the filing of the application for the exemption certificate with the local unit. Reportedly, a company in Dexter was denied an exemption certificate because it was misinformed about the deadline in the application process. Some people believe the statutory requirements are unfair to companies in this situation.

CONTENT

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act to specify that if an industrial facilities exemption certificate were filed and the application were approved by the local governmental unit in October 1996, but the application were denied by the State Tax Commission in December 1996, then the restoration, replacement, or construction of the facility would not have to have begun within six months before the filing of the application for the exemption certificate with the local unit. The bill provides that if the application were approved by the local unit on October 7, 1996, the restoration, replacement, or construction would have to have begun within seven months before the application was filed.

The bill also would make an exception to the six-month requirement for a facility that was located in an existing industrial development district owned or occupied by a person who filed an application for

an exemption certificate in April 1996 if the application were approved by the local legislative body in May 1996 and a certificate of occupancy were granted for the facility in January 1996.

Further, notwithstanding any other provision of the Act, if, in June 1997, a local governmental unit passed a resolution designating a speculative building and approving an industrial facilities exemption certificate, and if the speculative building were occupied in November 1995 and located in an industrial development district created in January 1996, the State Tax Commission would have to issue the certificate for the speculative building from December 30, 1996, through December 30, 2006.

MCL 207.559

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would allow an exemption for an industrial facility unfairly denied a certificate based on a technicality. The facility's project would feature a 6,400 square foot addition and new machinery and equipment. Allowing the facility to obtain a property tax exemption would promote the business climate in its community. Numerous revisions have been written into the statute in the past to cover cases that were denied exemption certificates through technicalities or misunderstandings.

Response: The situation is clearly not unique. There is a need to clarify the Plant Rehabilitation and Industrial Developments Districts Act in order for local governments to apply the provisions properly.

Opposing Argument

When seeking and granting property tax

exemptions, companies and local units of government should be able to follow specific statutory process and deadline requirements. In Governor Engler's veto message for a similar bill (Senate Bill 521) earlier this year, he stated that, "...the deadlines put into law should be followed and granting retroactive exemptions is not sound policy... I will not sign any more bills that make retroactive exemptions to the requirements of this act." He also stated the Act's requirement, which provides that the commencement of a project must occur not earlier than six months before the filing of the exemption certificate application with the local unit, has been in State law since 1982 and thus should be ample notice of the law's requirements.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would increase State costs by the amount lost by schools. Additionally, the revenue of local units involved would decrease.

Fiscal Analyst: R. Ross

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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.