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SFA BILL ANALYSIS

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Senate Bill 102 (Substitute S-2)
Sponsor: Senator Bill Bullard, Jr.
Committee: Finance

Date Completed: 2-9-99

CONTENT

The bill would amend the General Property Tax Act to expand the ability of local units of government to exempt from taxation the new personal property of eligible businesses. The bill also would restrict the ability of eligible businesses to relocate more than 25 jobs to a local unit having such an exemption.

The General Property Tax Act (as amended by Public Act 328 of 1998) allows the governing body of an eligible local assessing district (a city, village, or township that contains an "eligible distressed area") to adopt a resolution exempting from personal property taxes all new personal property of an "eligible business" located in an "eligible district" or districts designated in the resolution. Under the Act, in general, an "eligible distressed area" is an area in a city that has been designated as blighted; a municipality that shows a negative population change from 1970, and a poverty rate and unemployment rate greater than the statewide average; or an area certified as a neighborhood enterprise zone. The bill would delete references to "eligible distressed area" and "eligible local assessing district"; thus, the bill would eliminate the requirement that a local unit contain an eligible distressed area in order to exempt new personal property from taxation. Under the bill, the governing body of a city, village, or township could adopt a resolution to exempt from taxation all new personal property owned or leased by all eligible businesses located in an eligible district.

Currently, "eligible business" means that term as defined in the Michigan Economic Growth Authority Act, that is, a business that proposes to create qualified jobs in Michigan in manufacturing, mining, research and development, wholesale and trade, or office operations; it does not include retail establishments, professional sports stadiums, or that portion of a business used exclusively for retail sales. Under the bill, "eligible businesses" would mean businesses engaged in manufacturing, mining, research and development, technology, wholesale trade, or office operations. Eligible businesses would not include retail establishments, professional sports stadiums, or that portion of eligible businesses used exclusively for retail sales.

The bill would not revise the definition of "eligible district", i.e., any of the following:

- An industrial development district as defined in the Plant Rehabilitation and Industrial Development Districts Act.
- A downtown district or a development area as defined in the downtown development authority Act.
- A renaissance zone as defined in the Michigan Renaissance Zone Act.
- An enterprise zone as defined in the Enterprise Zone Act.
- A brownfield redevelopment zone as defined in the Brownfield Redevelopment Financing Act.
- An empowerment zone designated under subchapter U of Chapter 1 of the Internal Revenue Code.
- An authority district or a development area as defined in the Tax Increment Finance Authority Act.
- An authority district as defined in the Local Development Financing Act.

The bill provides that if an eligible business relocated more than 25 full-time equivalent jobs from one or more local governmental units to a city, village, or township that had adopted a resolution to exempt new personal property from taxation, the eligible business would have to give notice of the relocation to the State Tax Commission, the Michigan Jobs Commission, and the local governmental unit from which the jobs were being relocated. The eligible business would not be eligible for the exemption if the local governmental unit from which the jobs were to be relocated adopted a resolution objecting to the relocation, within 60 days after the notification. The eligible business would become eligible for the exemption when the local governmental unit that objected rescinded its objection, by resolution. A local governmental unit that objected to the relocation would have to file a copy of all resolutions of objection and rescission, within seven days of adoption, with the eligible business, the State Tax Commission, the Michigan Jobs Commission, and the city, village, or township into which the jobs were transferred.

A city, village, or township could not impose or accept any charge, fee, or payment to exempt new personal property, or any charge, fee, or payment in lieu of taxes forgone as a result of a new personal property exemption granted under the Act.

Under the Act, "new personal property" is personal property that was not previously subject to taxation, and that is placed in an eligible district after a resolution is approved. Under the bill, "new personal property" also would include personal property that was not previously exempt from taxation.

MCL 211.9f Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would broaden the number of cities, villages, and townships that would be able to exempt new personal property owned or leased by all eligible businesses located in eligible districts. Information is not available to accurately determine the fiscal impact. However, this bill would reduce local government personal property tax revenue and local school personal property tax revenue. State government revenue from the State education property tax would decline; however, due to the State's guaranteed school foundation allowance, the State also would have to reimburse the schools for their loss in personal property taxes.

Fiscal Analyst: R. Ross