Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1251 (as introduced 5-9-00)
Sponsor: Senator Bill Schuette
Committee: Farming, Agribusiness and Food Systems

Date Completed: 5-10-00

CONTENT

The bill would amend the Michigan Renaissance Zone Act to permit the State Administrative Board, until December 31, 2002, to designate up to 10 additional renaissance zones for agricultural processing facilities; delete a provision that prohibits a qualified local governmental unit from being part of more than one renaissance zone; delete the Act's approval requirements for a business located in a qualified local governmental unit that relocates into a renaissance zone within the local unit; delete the notice and approval requirements that apply when a business relocates more than 25 jobs to a renaissance zone; and allow recently authorized renaissance zones to designate subzones, seek extension of zone status, and modify zone boundaries.

Agricultural Processing Facilities

Upon the recommendation of the Michigan Strategic Fund Board, the State Administrative Board could designate up to 10 additional renaissance zones for agricultural processing facilities within the State in one or more cities, villages, or townships, if the city, village, or township or combination of these local governmental units consented to the creation of a renaissance zone for an agricultural processing facility within its boundaries. ("Agricultural processing facility" would mean one or more facilities or operations that transformed livestock, agricultural commodities, or agricultural products into products for intermediate or final consumption, and surrounding property.)

Each renaissance zone designated for an agricultural processing facility under the bill would have to be one continuous distinct geographic area.

The Administrative Board could revoke the designation of all or a portion of a renaissance zone for an agricultural processing facility if it determined that the facility failed to begin operation or ceased operation in a renaissance zone designated under the bill.

Relocation Approvals

Currently, a business located in a qualified local governmental unit that relocates from outside a renaissance zone into a renaissance zone in the same qualified local governmental unit may not receive the tax exemptions, deductions, or credits allowed under the Act unless the governing body of the qualified local governmental unit in which the renaissance zone is located approves the relocation of the business. ("Qualified local governmental unit" means either a county; or a city, village, or township that contains an eligible distressed area as defined in the State Housing Development Authority Act.)

Unless approval of the relocation is obtained, if a business relocates more than 25 full-time equivalent jobs to a renaissance zone, the business must give notice of the relocation to the Michigan Strategic Fund and the local governmental unit (city, village, or township) from which the jobs are being relocated of the relocation. The business is not eligible for the tax exemptions, deductions, or credits listed under the Act if the local government from which the jobs are being relocated adopts a resolution objecting to the job relocation within 60 days after being notified by the business. The business becomes eligible for the exemptions, deductions, and credits when the local governmental unit that objected to the relocation rescinds its objection by resolution. A local government that objects to the relocation of jobs must file a copy of all resolutions of objection and recission with the Department of Treasury, the Michigan Strategic Fund, the county or local governmental unit that created the renaissance zone into which the jobs are transferred, and the local governmental unit into which the jobs are transferred.

The bill would delete all of these provisions.

Subzones/Zone Duration & Boundaries

Section 8 of the original Act permitted the Administrative Board to designate up to nine renaissance zones within the State, with up to six in urban areas and four in rural areas, as well as additional zones in qualified local governmental units containing a closed military installation. In addition, Section 8a of the Act (which was added by Public Act 98 of 1999) permits the Administrative Board to designate up to nine additional renaissance zones in urban and rural areas, and additional zones in qualified local units containing a closed military installation. Section 8a also permits the Michigan Strategic Fund Board to designate up to five additional renaissance zones in one or more cities, villages, or townships that consent to the creation of a zone within their boundaries.

As a rule, a renaissance zone may not contain more than 10 distinct geographic areas (commonly known as subzones). Through December 31, 2002, a qualified local governmental unit in which a renaissance zone was designated under Section 8 may designate up to 10 additional subzones, with the Administrative Board's approval; may seek to extend the duration of its renaissance zone status until 2017; and may modify the boundaries of the zone to include contiguous parcels of property, with approval of the Review Board. Under the bill, these provisions also would apply to the renaissance zones designated under Section 8a.

Application Criteria

Currently, the Administrative Board must consider certain criteria in designating a renaissance zone, including whether the development plan is creative and innovative in comparison to other applications. The bill would delete "in comparison to other applications".

MCL 125.2683 et al. Legislative Analyst: L. Arasim

FISCAL IMPACT

The two major changes proposed in this bill are to create new renaissance zones and to eliminate restrictions designed to prevent businesses from simply moving their existing operations into a renaissance zone and benefitting from the tax exemptions. It is not possible to estimate the fiscal impact of either of these changes at this time because, 1) it is not known where the proposed additional renaissance zones would be located or the size of the agricultural processing facilities that would be developed in each of these zones, and 2) there is no way to estimate how many businesses would move their existing operations into a renaissance to become eligible for the various tax exemptions granted in these zones.

Fiscal Analyst: J. Wortley

S9900\s1251sa
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.