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Senate Bill 1254 (as passed by the Senate)
Sponsor: Senator Glenn D. Steil
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 12-8-00

RATIONALE

In a 1999 report entitled, "State Smart: Michigan: A Plan for Accelerating the Growth of Technology-Based Jobs", Governor John Engler announced a plan to stimulate the growth of technology-based jobs in Michigan, noting that the overriding goal of the State's economic development effort has been to attract well-paying jobs that have a solid long-term future. Many of these jobs are considered to be "gold collar" jobs, which employ highly skilled individuals, pay high wages, and are in great demand. According to the "State Smart: Michigan" report, developed by the Michigan Economic Development Corporation (MEDC), gold collar jobs often are found in the high-technology field of advanced manufacturing, information technology, and life sciences.

One of the initiatives proposed in the report is the development of a "Gold Collar Jobs Tax Package" that would provide similar benefits to high-technology companies and manufacturing industries. In particular, the report recommends that high-technology companies be allowed to qualify for tax abatements under the Plant Rehabilitation and Industrial Development Districts Act.

CONTENT

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act to include in the definition of "industrial property" land improvements, property, machinery, equipment, furniture, and fixtures or any part or accessory whose primary purpose and use were engaging in high-technology activities. The Act's present definition of "industrial property" refers to land improvements, property, machinery, equipment, furniture, and fixtures or any part or accessory whose primary purpose and use are the manufacture of goods or materials, or the processing of goods and materials by physical or chemical change.

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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.

(The Act allows local units of government to grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. A certificate grants a property tax abatement to an industrial facility, which then pays a lower specific tax instead of regular property taxes.)

MCL 207.552

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

Michigan's tax and regulatory structure was developed in an era dominated by manufacturing and heavy industry. As a result, there are many instances under the Michigan tax code in which high-technology firms are at a disadvantage compared with traditional manufacturing companies. In order to level the playing field and attract high-technology companies and jobs to Michigan, the bill would implement a recommendation made in the "State Smart: Michigan" report by allowing high-technology companies to qualify for real property tax abatements under the Plant Rehabilitation and Industrial Development Districts Act. Under current law, only manufacturing companies qualify for these tax abatements.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The fiscal impact of this bill cannot be estimated because there is no way to know how many high technology business activities would apply for and receive an industrial facilities exemption, which would entitle them to a reduction in property taxes.

Fiscal Analyst: J. Wortley