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SFA BILL ANALYSIS

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Senate Bill 1417 (as enrolled)
Sponsor: Senator Bill Bullard, Jr.
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 10-2-02

RATIONALE

The Michigan Renaissance Zone Act was enacted in 1996 to encourage commercial, industrial, and residential improvements in economically distressed areas in the State. The Act provides for the designation of renaissance zones in which businesses and residents receive certain tax exemptions or credits, and certain property is exempt from property taxes.

When the statute was enacted, it was recognized that millage revenue necessary for a local school district to receive its foundation allowance would be reduced on the property in the district included in a renaissance zone. Intermediate school districts (ISDs) would lose revenue from their general operating millage, special education operating millage, and vocational education operating millage. Similarly, community colleges with property in the zone would lose revenue from their operating millage. Therefore, the Act requires the State each year to reimburse local school districts and ISDs for revenues lost from taxes levied under the Revised School Code due to the property tax exemption. The State also must reimburse community college districts and public libraries for revenues lost from taxes levied under the General Property Tax Act.

While the Act states that the reimbursement to ISDs is to be based on the property's taxable value at the time a renaissance zone was designated, the reimbursement to local school districts, community college districts, and public libraries must be based on the property's taxable value in the current year. In practice, however, the Department of Treasury uses current-year taxable value to determine ISDs' reimbursement, as well. It has been suggested that, in the Act, reimbursement to ISDs should be based on the same calculation as required for the other entities.

CONTENT

The bill would amend the Michigan Renaissance Zone Act to require that State annual reimbursements to intermediate school districts be based on property's taxable value in the present year, instead of at the time a renaissance zone was designated.

MCL 125.2692

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

By requiring the state to reimburse ISDs based on the property's taxable value in the current year, the bill would ensure that ISDs' reimbursement was calculated according to the same taxable value as used for reimbursement to local school districts, community college districts, and public libraries. The bill would bring consistency to the Act and codify current practice.

Legislative Analyst: Nobuko Nagata

FISCAL IMPACT

Though current law provides for reimbursement to ISDs based on property's taxable value at the time a renaissance zone was designated, actual past practice by the Department of Treasury has been to reimburse based on the property's taxable value in the current year. Therefore, this legislation would codify the practice of treating similarly the reimbursement to ISDs, local districts, community colleges, and public libraries. Assuming this practice were to continue, the bill would have no fiscal impact. However, if in the future the Department of Treasury were to change its reimbursement practices and conform to the current letter of the law, then there would be a fiscal impact of this legislation equal to the difference between reimbursing ISDs based on current property values versus property values at the time a renaissance zone was designated.

Fiscal Analyst: Joe Carrasco
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