Fiscal Analysis
TOOL AND DIE TAX RELIEF

Bill/Sponsor	**HOUSE BILL 5243 AS INTRODUCED,** Rep. David W. Palsrok **HOUSE BILL 5244 AS INTRODUCED,** Rep. Mary Ann Middaugh **HOUSE BILL 5245 AS INTRODUCED,** Rep. William P. Huizenga **HOUSE BILL 5249 AS INTRODUCED,** Rep. David B. Robertson **HOUSE BILL 5250 AS INTRODUCED,** Rep. Matthew M. Milosch **HOUSE BILL 5263 AS INTRODUCED,** Rep. John E. Stahl
House Committee	Commerce

Analysis

Summary

House Bill (HB) 5243 would amend the Michigan Renaissance Zone Act to allow up to 20 tool and die renaissance recovery zones with local government consent. House Bills 5244 and 5250 would amend the General Property Tax Act to expand the definition of "special tool" (HB 5244) and provide that the depreciation of personal property used to develop tool and die products could not be less than allowed under the Internal Revenue Code (HB 5250). House Bills 5245 and 5249 would amend the Single Business Tax Act to increase the maximum apprentice training credit to $4,000 for tool and die entities (HB 5245) and to provide for a credit equal to the amount paid to purchase tangible personal property from a qualified tool and die business (HB 5249). House Bill 5263 would amend the Use Tax Act to exempt the construction contractor's labor cost to manufacture, fabricate, or assemble personal property before affixing it to real property.

Fiscal Impact

These bills would reduce the tax liability of tool and die businesses. Under the North American Industry Classification System (NAICS), the following entities are included: industrial mold manufacturing; machine tool metal cutting type manufacturing; machine tool metal forming type manufacturing; special die and tool, die set, jig, and fixture manufacturing; and cutting tool and machine tool accessory manufacturing. There are approximately 1,600 of the above listed tool and die entities in Michigan.

House Bill 5243 would exempt tool and die entities in the tool and die renaissance recovery zones from the single business tax (SBT), state and local income taxes, the six-mill state education tax, property taxes, specific taxes levied in lieu of property taxes, and the Detroit utility users tax. The fiscal impact depends on the number and the degree to which local units participate.

House Bill 5244 would reduce personal property taxes by an estimated $150

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to $300 million. Of the total fiscal impact, approximately 12% of the reduction would come from the State education tax, all of which is earmarked to the School Aid Fund (SAF). In addition, SAF expenditures would increase to replace the estimated revenue reduction for the school districts; school districts would lose approximately 35% of the total. Approximately 53% of the property tax reduction would be incurred by local units of government.

House Bill 5245 would reduce SBT revenue, all of which accrues to the General Fund/General Purpose (GF/GP), by an estimated $100,000. Currently, the apprenticeship credit, which is set at a maximum of $2,000 for each apprentice and available to all businesses, reduces State revenues by approximately $100,000 per year.

House Bill 5249 would reduce SBT revenue, all of which accrues to the GF/GP, by an estimated $350 to $650 million. The credit is equal to the amount actually paid for tangible personal property from a qualified (entity that has fewer than 50 full-time employees and entered into a collaboration agreement) tool and die business.

House Bill 5250 personal property taxes by an estimated $20 million. Of the total fiscal impact, approximately 12% of the reduction would come from the State education tax or the SAF. In addition, SAF expenditures would increase to replace the estimated revenue reduction for the school districts; school districts would lose approximately 35% of the total. Approximately 53% of the property tax reduction would be incurred by local units of government.

House Bill 5263 would reduce use tax revenue by an estimated $8 to $20 million. Two-thirds of the estimated fiscal impact would reduce GF/GP revenue and one-third would reduce SAF revenue.

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COMMITTEE ANALYSIS - 12/3/03

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