

Legislative Analysis



PA 198 ABATEMENT EXTENSION

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House Bill 5737 (Substitute H-1)
Sponsor: Rep. John C. Stewart
Committee: Commerce
First Analysis (5-5-04)

BRIEF SUMMARY: The bill would provide for an extension of a PA 198 property tax abatement for a facility whose original abatement was for a term of years less than the maximum permitted number of years, even though certain procedural requirements were not met.

FISCAL IMPACT: The bill would reduce state and local revenues by an indeterminate amount.

THE APPARENT PROBLEM:

The Plant Rehabilitation and Industrial Development Act (known as P.A. 198) allows local units of government to grant industrial facilities exemption certificates to new facilities, speculative buildings, and replacement facilities. A certificate, generally speaking, grants a property tax abatement for up to 12 years to an industrial facility, which then pays a lower specific tax instead of regular property taxes. If an exemption certificate is issued for less than the maximum 12 years, the local unit can issue a new certificate for the same facility, although the total duration of the two certificates cannot exceed 12 years. The business owner must apply for the additional certificate. The act contains the process that must be followed and sets forth the requirements that must be met for the initial certificate to be issued and for the subsequent certificate. It also contains exceptions allowing certificates to be issued in cases in which the standard process and requirements were not met. Another such exception has been proposed, in this case to continue a tax abatement for a small business in Plymouth Township.

THE CONTENT OF THE BILL:

House Bill 5737 would amend the Plant Rehabilitation and Industrial Development Act to require the State Tax Commission to issue an additional exemption certificate for a new facility if the local governmental unit passed a resolution approving a certificate for a new facility on October 14, 2003, for a certificate that expired in December 2002. The new certificate would begin December 30, 2002 and end December 30, 2009.

MCL 207.557

ARGUMENTS:

For:

According to committee testimony, the bill would amend PA 198 to allow an extension of an exemption certificate to a small business in Plymouth Township, even though the required procedural requirements were not met. There is precedent for this. A number of exceptions have been written into the statute in the past to cover cases when the parties involved were agreeable to an exemption but through errors or misunderstandings the technical requirements of the law were not met. When an initial exemption certificate is granted under PA 198 for less than the maximum 12 years, a new certificate can be granted by the local unit of government, with the two certificates not to exceed the original 12-year maximum.

POSITIONS:

The Michigan Assessors Association has indicated opposition to the bill. (5-4-04)

Legislative Analyst: Chris Couch
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