

Legislative Analysis



TOOL AND DIE ZONES: PATTERN MANUFACTURERS

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Senate Bill 371 (Substitute H-1)

Sponsor: Sen. Alan Sanborn

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Complete to 2-28-06

A SUMMARY OF SENATE BILL 371 AS REPORTED FROM COMMITTEE

Senate Bill 371 would require that at least one of the state's tool and die recovery zones consist of one or more "industrial pattern manufacturers" —a tool and die business with an NAICS of 332997.

The Michigan Renaissance Zone Act allows for the creation of up to 25 tool and die renaissance recovery zones where eligible businesses can be granted tax exemptions for 5 to 15 years. The Michigan Strategic Fund is responsible for designating the zones, which require local government approval.

Under the act, to be a qualified tool and tie business, a business must have fewer than 75 employees; have the proper classification in the North American industrial classification system (NAICS); and must enter a "qualified collaboration agreement" as approved by the MSF with other businesses in the appropriate NAICS classifications. Currently NAICS 332997 is not one of the cited classifications.

MCL 125.2688d

BACKGROUND INFORMATION:

According to information provided to the House Commerce Committee, an industrial pattern manufacturer produces metal and plastic core boxes and patterns used in casting operations in metal foundaries (to make molds). These enterprises function very much like tool and die operations. Industrial pattern manufacturers are in a different NAICS classification from tool and die companies and were not included in the original tool and die legislation enacted in 2003.

According to the Michigan Economic Development Corporation, the Michigan Strategic Fund has designated 19 recovery zones to date involving 125 companies. A business in a recovery zone is exempt from the single business tax, the state education tax, local real and personal property taxes, local income taxes, and the utility users tax (which is levied only in Detroit). Businesses are not exempt from the state sales tax. The state reimburses schools, community colleges, and public libraries for lost revenue but does not replace revenue lost by the hosting local unit of government.

FISCAL IMPACT:

Because the total number of allowable tool and die recovery zones has not been amended, there is no significant fiscal impact on the State of Michigan or its local units of government.

POSITIONS:

The Michigan Economic Development Corporation (MEDC) supports the bill. (2-28-06)

A representative of the U.S. Pattern Company, inc., of Richmond, Michigan, testified in support of the bill. (2-28-06)

The Michigan Manufacturers Association supports the bill. (2-28-06)

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