

Legislative Analysis



P.A. 198 ABATEMENT

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House Bill 5050 as introduced
Sponsor: Rep. David Robertson
Committee: Commerce

Complete to 9-13-05

A SUMMARY OF HOUSE BILL 5050 AS REPORTED FROM COMMITTEE 9-13-05

The Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a lower "specific" tax rather than regular property taxes. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly. The act contains the process to be followed and the requirements that must be met for a certificate to be granted. The act also contains provisions aimed at allowing exceptions to the normal procedures.

House Bill 5050 would amend the act (MCL 207.559) to require the State Tax Commission to issue an exemption certificate that would run from December 30, 2005, to December 30, 2010, for certain property. This would apply in the case where a local unit had passed a resolution approving a certificate for a new facility on October 28, 1996 for a certificate that expired in December 2003. The bill says the STC would issue the certificate "notwithstanding Section 16a and any other provision of [the] act." (For background information, see the Fiscal Impact section later.)

Sec. 16a. says the following:

If an industrial facilities exemption certificate for a replacement facility, a new facility, or a speculative building becomes effective after December 31, 1995, for a period shorter than the maximum period permitted under section 16 [12 years] then both of the following apply:

(a) The owner or lessee of the replacement facility, new facility, or speculative building may, within the final year in which the certificate is effective, apply for another certificate under this act. If the legislative body of a local governmental unit disapproves an application submitted under this subdivision, then the applicant has no right of appeal of that decision as described in section 6.

(b) The legislative body of a local governmental unit shall not approve applications for certificates the sum of whose periods exceeds the maximum permitted under section 16 for the user or lessee of a replacement facility, new facility, or speculative building.

FISCAL IMPACT:

The lost property tax revenue for state, local and school combined is approximately \$120,000 annually or \$600,000 over the five years remaining from the original industrial property tax abatement. This estimate is based on the current assessed value of the real property located in the City of Fenton and current millage rates, which total slightly less than 58 mills, and the depreciated value of the personal property that the prospective buyer, Tri-Bar Manufacturing, would move into the plant. In return, the City expects Tri-Bar to employ 300 people at the plant. Note that the plant in question is only 15 years old, and requires no rehabilitation. The original owner, Atlas Technologies, has used seven years of the 12 year tax abatement, leaving five remaining. The abatement represents a 50% reduction in the millage rate, rather than the taxable value of real and personal property. Therefore, the actual lost tax revenue could be higher if millage rates rise in the future.

POSITIONS:

The City of Fenton and a representative from Tribar Manufacturing testified in support of the bill. (9-13-05)

The Michigan Municipal League has indicated support for the intent of the bill. (9-13-05)

The Michigan Economic Development Corporation (MEDC) has indicated that it is neutral and not opposing the bill. (9-13-05)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.