

# Legislative Analysis

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## RENAISSANCE ZONES: SIZE AND DURATION

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**House Bill 5942 (Substitute H-2)**

**Sponsor: Rep. David Palsrok**

**Committee: Commerce**

**Complete to 6-29-06**

## A SUMMARY OF HOUSE BILL 5942 AS REPORTED FROM COMMITTEE

The bill would amend the Michigan Renaissance Zone Act to:

**\*\* Allow, through December 31, 2011, a local unit of government with a renaissance zone to designate up to 10 additional distinct geographical areas (known as sub-zones) as part of the zone if the additional areas would increase capital investment and job creation. The local unit would need the approval of the board of the Michigan Strategic Fund. The duration of renaissance zone status for the additional areas could not exceed 15 years.**

**\*\* Allow, through December 31, 2011, a local unit with a renaissance zone to seek to extend the duration of one or more portions of a renaissance zone if additional capital investment, job creation, or job retention would occur as a result of the extension. The local unit would need the approval of the board of the Michigan Strategic Fund, which could grant an extension for up to 15 years.**

MCL 125.2684 and 2691

## BACKGROUND INFORMATION:

Public Act 139 of 1999 allowed the then-existing renaissance zones in the state 1) to designate up to 10 sub-zones with each sub-zone eligible to be designated a renaissance zone for up to 15 years; and 2) to extend the duration of renaissance zones and sub-zones until 2017. State approval was required for both changes. However, under Public Act 139, the ability of local units to seek these expansions ended on December 31, 2002. House Bill 5942 would essentially reactivate the ability of local units to increase the size (through sub-zones) or the duration of the earliest designated renaissance zones through December 31, 2011. Again state approval would be required; this time, state economic development officials would have to believe that the action would increase capital investment, job creation, or job retention.

The Michigan Renaissance Zone Act was enacted in 1996 and allows the creation of special zones in the state where businesses and individuals can get special tax treatment in order to stimulate development in the designated areas. Proponents of this bill say that the earliest designated zones have not seen the hoped-for success because of the proliferation of zones and other economic development programs, which have created much more competition among areas in the state to attract new businesses.

**FISCAL IMPACT:**

This bill will decrease state and local tax revenues by an indeterminate amount. Existing Renaissance Zones may be extended for up to 15 years upon application through December 31, 2011. Renaissance Zones provide exemption from most state and local taxes for businesses and their employees located within these geographic areas. Taxes exempted include local real and personal property tax, the State Education Tax, the Michigan Single Business Tax, utility user taxes and the personal income tax. Approximately 35 Michigan counties currently contain at least one Renaissance Zone. The identity of local governmental units who will elect to apply for a 15-year extension is not determinable, and therefore the fiscal impact cannot be estimated at this time.

**POSITIONS:**

The Michigan Economic Development Corporation (MEDC) has indicated support for the bill. (6-27-06)

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