Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 579 (as reported without amendment)
Sponsor: Senator Jud Gilbert, II
Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the plant rehabilitation and industrial development districts Act (commonly known as PA 198) to require that a facility located in an industrial development district owned by a person who applied for an industrial facilities exemption certificate in July 2001 for construction that was commenced in February 2001 in a district that was established in September 2001, be taxed under the Act as if the facility had been granted the certificate in October 2001.

A corrected tax bill would have to be issued by the local tax collecting unit if it had possession of the tax roll or by the county treasurer if the county had possession of the tax roll. If granting the certificate resulted in the overpayment of the tax, a rebate, including any interest and penalties paid, would have to be made to the taxpayer within 30 days of the date the exemption was granted. The rebate would have to be without interest.

MCL 207.559 Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would reduce State and local unit revenue. Assuming the new certificate would be for a new facility, the bill would reduce revenue from the property by 50%. The impact on the State education tax would depend whether 0, 3, or all 6 mills of the tax were abated under the certificate. Any reduction in local school district revenue for the 18 mills levied for operating purposes would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

The magnitude of the impact would depend upon the characteristics of the property affected, but based upon data from the city in which it is located, the impact would be approximately $60,000 per year if all 6 mills of the State education tax were included in the certificate. Approximately 11% of the impact ($6,500 per year) would reduce revenue to the School Aid Fund if the full 6 mills were included in the certificate, while roughly 33% ($20,000 per year) would represent a loss of operating mills to the school district and would be offset by increased spending from the School Aid Fund. The remaining impact would affect other local units of government. However, because the bill would reduce taxes that already were paid in previous fiscal years, it is unclear how the impact of the bill would be distributed. The potential refunds from the previous four tax years would total approximately $240,000, to be paid during FY 2005-06 by the local tax collecting unit, although the local tax collecting unit retained only about 30% of the revenue that was collected over that period. This estimate is preliminary and will be revised as new information becomes available.

Date Completed: 11-14-05 Fiscal Analyst: David Zin