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BILL ANALYSIS

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Senate Bill 1284 (as introduced 5-25-06)
Sponsor: Senator Laura M. Toy
Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 6-14-06

CONTENT

The bill would amend the plant rehabilitation and industrial development districts Act (commonly known as PA 198) to allow an industrial facilities exemption certificate to be approved for a facility whose construction was begun in September 2005 in an industrial development district established by the local governmental unit in December 2005.

Under the Act, except for an application for a speculative building, the legislative body of a local governmental unit (a city, village, or township) may not approve an application and the State Tax Commission may not grant an industrial facilities exemption certificate unless the applicant complies with various requirements, which include the following:

-- The proposed facility must be located within a plant rehabilitation district or industrial development district that was duly established in an eligible local governmental unit upon a request filed, or by the local unit's own initiative taken, before the restoration, replacement, or construction of the facility commenced.
-- The restoration, replacement, or construction of the facility must not have commenced earlier than six months before the application for the industrial facilities exemption certificate was filed.

Additionally, except as otherwise provided, a request for the establishment of a proposed plant rehabilitation or industrial development district may be filed only in connection with a proposed replacement facility or new facility whose construction, acquisition, alteration, or installation has not commenced at the time the request is filed. The legislative body of a local governmental unit may not establish a plant rehabilitation or an industrial development district if it finds that the request for the district was filed after the commencement of construction, alteration, or installation of, or an acquisition related to, the proposed replacement facility or new facility.

The Act makes exceptions to these conditions for certain facilities.

Under the bill, the conditions also would not apply to a facility located in an industrial development district owned by a person who filed an application for an industrial facilities exemption certificate in December 2005 for construction that began in September 2005 in a district that was established by the local unit's legislative body in December 2005. The certificate would have to expire as provided in the Act.

MCL 207.559

BACKGROUND

Under the Act, in a local unit that has established a plant rehabilitation and industrial development district, the owner or lessee of industrial property in the district may apply to the local unit for an industrial facilities exemption certificate. Upon approval by the local unit's legislative body, the application is forwarded to the State Tax Commission, which issues an industrial facilities exemption certificate if it determines that the facility conforms with the Act. The Act allows certificates to be issued for a combined total of 12 years for any one facility. The certificate exempts the facility (but not the land or inventory) from real and personal property taxes, and makes it subject to a specific industrial facilities tax. For a new facility the specific tax is 50% of what the property tax otherwise would be, plus the State education tax. For a replacement facility, the specific tax essentially is the amount that property taxes would be based on the value of the facility before renovation.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local unit revenue and increase School Aid Fund expenditures by an unknown amount. The impact on State revenue would depend on whether 0, 3, or 6 mills of the State education tax would be abated under the certificate. Any reduction in local school district operating revenue would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

The magnitude of the impact also would depend upon the characteristics of the property affected. Because the certificate would be issued for a new facility, the revenue impact would represent an increase in revenue that would not be realized when the construction is completed.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin