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BILL ANALYSIS

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House Bill 4817 (as reported without amendment)
House Bill 4818 (Substitute S-3 as reported)
Sponsor: Representative Bill Caul (H.B. 4817)
Representative Rick Baxter (H.B. 4818)
House Committee: Commerce
Senate Committee: Commerce and Labor

CONTENT

House Bill 4817 would amend the Michigan Renaissance Zone Act to define "recovery zone" as a tool and die renaissance recovery zone created under the Act.

House Bill 4818 (S-3) would amend the Michigan Renaissance Zone Act to:

-- Increase from 20 to 25 the number of tool and die renaissance recovery zones that the board of the Michigan Strategic Fund (MSF) may designate in one or more Michigan cities, villages, or townships, with the local units' consent.
-- Provide that the duration of renaissance zone status for a recovery zone would be at least five years and not more than 15 years, as determined by the MSF board, rather than up to 15 years as determined by the board.
-- Authorize the MSF, with the consent of the local unit or units where a qualified tool and die business with renaissance zone status of less than 15 years' duration was located, to extend the renaissance zone status for one or more periods that, when combined, did not exceed 15 years.
-- Delete a provision limiting a recovery zone to one or more parcels of qualified tool and die business property, and instead authorize the MSF board to designate a recovery zone if the zone consisted of at least four and not more than 20 qualified tool and die business at the time of designation.
-- Allow one or more qualified tool and die businesses subject to a qualified collaborative agreement to merge into another group of qualified tool and die businesses subject to a different collaborative agreement, upon application to and approval by the MSF.
-- Specify that a qualified tool and die business in a recovery zone could have a different period of renaissance zone status than other qualified tool and die businesses in the same recovery zone.
-- Authorize the MSF board to modify an existing recovery zone to add one or more qualified tool and die businesses with the consent of all other qualified tool and die business participating in that recovery zone.
-- Require that a qualified tool and die business have fewer than 75, instead of fewer than 50, full-time employees.
-- Specify that qualified tool and die business property would be considered to be used primarily for tool and die business operations if the qualified tool and die businesses that owned or leased the property generated at least 75% of their gross revenue from tool and die operations that took place on the property at the time of designation.

MCL 125.2683 (H.B. 4817)
125.2688d (H.B. 4818)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

House Bill 4817: The bill would have no fiscal impact on State or local government.

House Bill 4818 (S-3): Under existing law, businesses located in a renaissance zone are exempt from State and local property taxes, State and local income taxes, local utility taxes, and the State single business tax. By increasing the number of zones, the bill would reduce revenue from these tax sources by an unknown and potentially significant amount. Any reduction in local school district revenue from mills levied for operating purposes or mills levied by community colleges would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees. The actual amount of revenue loss would depend upon the characteristics of the businesses within the zones, but based on industry averages the loss could total $4 million in single business tax revenue (General Fund), $1.2 million in State education tax revenue (School Aid Fund), and another $11 million to local units, of which approximately $4.5 million would need to be offset by increased School Aid Fund expenditures.

The bill also would create a minimum length of time for recovery zones. It is unknown whether any zones have or would have a duration of less than five years, but if one were to have such a duration, the bill would reduce revenue in future years when the zone otherwise would not have been in existence.

The proposed change in what constitutes a qualified tool and die business likely would increase the revenue loss by an unknown amount because it would allow larger companies, with presumably greater tax liabilities, to qualify. The change in what constitutes qualified tool and die business property likely would reduce the revenue loss from businesses that locate in a zone by an unknown amount. The net effect of these two factors is unknown, although to the extent that the increase in the number of permissible employees would affect zones that have been applied for but not yet approved, the net effect is more likely to be a possibly significant revenue loss.

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

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

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.