



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5050 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Representative David Robertson

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 11-7-05

RATIONALE

The plant rehabilitation and industrial development districts Act, commonly referred to as PA 198, allows local units of government, with approval of the State Tax Commission, to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities. A certificate, generally speaking, grants a property tax abatement to an industrial facility, which is subject to an industrial facilities tax that is lower than standard property taxes. Apparently, a Livingston County business would like to move its operations to a Genesee County facility that was issued an industrial facilities exemption certificate in 1996 that expired in 2003.

Although the Act allows an exemption certificate to be extended, if it was issued for less than the maximum 12-year duration, the facility owner must apply for an extension before the certificate expires. To accommodate the Livingston County business, some people believe that the State Tax Commission should be required to issue a five-year industrial facilities exemption certificate to the Genesee County facility's new occupant.

CONTENT

The bill would amend the plant rehabilitation and industrial development Act to provide that if a local governmental unit passed a resolution approving an industrial facilities exemption certificate for a new facility on October 28, 1996, for a certificate that expired in December 2003, and the local governmental unit passed a resolution approving the extension of the certificate

after December 2003 and before March 1, 2006, the State Tax Commission would have to issue for that property an industrial facilities exemption certificate that would begin on December 30, 2005, and end on December 30, 2010, notwithstanding Section 16a or any other provision of the Act, as long as the property continued to qualify under the Act.

Under Section 16a, 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 12 years, both of the following apply:

- The owner or lessee of the facility or building may, within the final year in which the certificate is effective, apply for another certificate under the Act.
- The legislative body of a local governmental unit must not approve applications for certificates whose combined periods exceed 12 years for the user or lessee of a replacement facility, new facility, or speculative building.

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.

the characteristics of the property affected by the bill, but would be approximately \$100,000 per year. Approximately 10% of the impact would reduce revenue to the School Aid Fund if the full 6 mills were included in the certificate, while roughly 30% 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.

Fiscal Analyst: David Zin

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Reportedly, Tri-Bar Manufacturing, currently located in Whitmore Lake, is seeking to move its manufacturing operations to a Fenton facility that received an industrial facilities exemption certificate in 1996 that expired in 2003. If the City of Fenton passes a resolution approving an extension, the bill would require the State Tax Commission to issue a certificate for the company. The bill would allow Tri-Bar manufacturing to receive a five-year certificate for the Fenton facility. Combined with the previous occupant's seven-year certificate, this would reach the maximum allowed under the Act.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would reduce State and local unit revenue. The bill would require the State to issue an exemption certificate if a local unit approved a resolution to extend a certificate issued on October 28, 1996. Under the new facility provisions for certificates, 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

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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.