



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

CONTENT

The bill would amend the plant rehabilitation and industrial development Act (commonly called P.A. 198) 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

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 revenues 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 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.

Date Completed: 11-2-05

Fiscal Analyst: David Zin