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BILL ANALYSIS

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House Bill 5050 (as passed by the House)
Sponsor: Representative David Robertson
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 10-26-05

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, 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 December 30, 2010, notwithstanding Section 16a or any other provision of 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 replacement facility, new facility, or speculative building may, within the final year in which the certificate is effective, apply for another certificate under the Act. If the legislative body of a local governmental unit disapproves an application, then the applicant has no right of appeal of that decision.
-- 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 potentially reduce State and local unit revenue. The bill would require the State to issue an exemption certificate. However, the bill does not indicate what type of certificate the facility would receive. Presumably, because of the reference to a new facility in the section, a new facility certificate would be issued. Under the new facility provisions, 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. If a certificate for rehabilitated facility were issued, the bill would likely have an effect only if the taxpayer were to make improvements to the facility—in which case the bill would not reduce revenue but would delay an increase in revenue until 2011. Because the affected facility is not a new facility, it is unknown which type of certificate would be issued for the property.

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

Fiscal Analyst: David Zin