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BILL ANALYSIS

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House Bill 5942 (Substitute H-2 as passed by the House)
Sponsor: Representative David Palsrok
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 9-19-06

CONTENT

The bill would amend the Michigan Renaissance Zone Act to allow certain local governmental units in which renaissance zones have been designated, to do both of the following through December 31, 2011:

- **Designate up to 10 additional distinct geographic areas for renaissance zone status, with the approval of the board of the Michigan Strategic Fund (MSF), if the additional areas would increase capital investment and job creation.**
- **Seek to extend the duration of zone status for one or more portions of a zone, with approval by the MSF board, if additional capital investment, job retention, or job creation would occur or if the renaissance zone had not had significant development.**

Subzones

The Act allowed, through December 31, 2002, a qualified local governmental unit in which a renaissance zone was designated under Section 8 or 8a to designate up to 10 additional distinct geographic areas (subzones) upon application to and approval by the State Administrative Board. The duration of renaissance zone status for those subzones may not exceed 15 years.

(Zones designated under Section 8 are the original nine renaissance zones allowed under the Act; Section 8a(1) allows the Board to designate up to nine additional zones; and Section 8a(3) allows the Board to designate additional renaissance zones within the State in one or more qualified local governmental units that contain a military installation that was operated by the U.S. Department of Defense and was closed in 1977 or after 1990. Section 8a(2) allows the MSF board to designate 10 additional zones.)

The bill would allow, through December 31, 2011, a qualified local governmental unit in which a renaissance zone was designated under Section 8, 8a(1), or 8a(3) to designate up to 10 subzones upon application to and approval by the MSF board, if the subzones would increase capital investment and job creation. As currently provided, the duration of renaissance zone status for the subzones could not exceed 15 years.

Extended Duration

Under the bill, through December 31, 2011, a qualified local governmental unit or units in which a renaissance zone was designated under Section 8, 8a(1), or 8a(3) could, upon application to and approval by the MSF board, seek to extend the duration of renaissance zone status for one or more portions of a renaissance zone, if additional capital investment, job retention, or job creation would occur as a result of the extension or if the existing renaissance zone had not experienced significant development. The MSF board could extend renaissance zone status for one or more potions of the zone for up to 15 years from the date of the application to the MSF board.

Other Provisions

Section 8a(2) of the Act allows the MSF board to designate up to 10 additional renaissance zones. Not more than one of those may be designated as a pharmaceutical renaissance zone, which must promote and increase the research, development, and manufacturing of pharmaceutical products of an eligible pharmaceutical company. An eligible pharmaceutical company must have at least 8,500 employees located in Michigan, and all must be located within a 100-mile radius of each other. The bill would require at least 8,499 employees, rather than 8,500.

The Act provides that the application form for a renaissance zone must be as specified by the Michigan Jobs Commission and requires the Jobs Commission to file a copy of the application with the Senate and House of Representatives. The bill would refer to the Michigan Strategic Fund in those provisions, rather than to the former Michigan Jobs Commission.

MCL 125.2684 et al. Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would decrease both State and local revenue by an unknown, and potentially significant, amount and increase State expenditures by an unknown amount. The impact of the bill would depend upon the local units that could use the bill's provisions, as well as the specific characteristic of the areas included as a result of the bill and the economic activity that takes place within those areas. Taxpayers within renaissance zones are exempt from a wide array of taxes, including the State education tax, the single business tax, the individual income tax, and local property taxes. The exemptions from State taxes largely affect the General Fund but the bill also would reduce School Aid Fund revenue.

In FY 2006-07, existing renaissance zones are expected to reduce single business tax revenue by $21.1 million, individual income tax revenue by $0.3 million, and State and local property tax revenue by $100.0 million.

In some cases, the State is required to reimburse local units for revenue lost as a result of renaissance zones. As a result, the bill would increase State expenditures.

Fiscal Analyst: David Zin

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