

Legislative Analysis



PA 198: PROCEDURE FOR EXCEPTIONS

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Senate Bill 218

Sponsor: Sen. Raymond E. Basham

House Committee: Commerce

1st Senate Committee: Economic Development and Regulatory Reform

2nd Senate Committee: Government Operations and Reform

Complete to 6-16-08

A SUMMARY OF SENATE BILL 218 AS PASSED BY THE SENATE 3-19-08

The bill would amend the Plant Rehabilitation and Industrial Development Act, commonly known as PA 198, under which property tax abatements can be granted by local units of government to new and speculative buildings and to replacement facilities. The bill would put into the statute a general exception that would allow a facility located in an industrial development district to qualify for a property tax abatement even though certain statutory deadlines had not been met, as long as the facility met other criteria of the act and had received written approval from the board of the Michigan Strategic Fund and from the State Tax Commission.

PA 198 contains a process to be followed and sets forth the requirements that must be met for a tax abatement certificate to be granted, including certain deadlines. However, the act also contains numerous provisions aimed at allowing specific abatements to be granted when the normal procedures had not been followed properly. Senate Bill 218 appears to put in place a general exception that would allow the MSF and STC to administratively approve locally-granted PA 198 abatements that don't meet certain statutory deadlines.

The act requires, generally speaking, that an industrial development district be established before work begins on a facility and that work on the facility not begin more than six months before the filing of an application for an abatement. Senate Bill 218 would allow these deadlines to be overridden with MSF and STC approval.

[Under PA 198, property tax abatements can be granted by local units of government to new and speculative buildings and to replacement facilities. Abatements are available on a facility (but not the land) for up to 12 years, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. For a rehabilitated facility, the tax is based on the value of property prior to renovation. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly.]

MCL 207.559

FISCAL IMPACT:

As written, the bill would reduce state and local property tax revenue by an unknown amount. To the extent that the exemption reduced collections from the 18 mills earmarked to local schools, the State School Aid Fund would need to make up the difference.

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