# Legislative Analysis

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## PA 198 EXEMPTIONS

**Senate Bill 757 (Substitute H-1)**
**Sponsor: Sen. Jason E. Allen**
**House Committee: Commerce**
**Senate Committee: Commerce and Tourism**

**Complete to 11-20-07**

## A SUMMARY OF SENATE BILL 757 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, to provide five exceptions to the standard requirements in the act for granting property tax abatements. The bill would allow PA 198 abatements to be granted in five cases where the normal procedural requirements of the act were not met.

(1) An abatement could be granted for a facility located in an existing industrial development district owned by a person who filed or amended an application for a certificate for real property in July 2006 if the application was approved by the local governing body in September 2006 but not submitted to the State Tax Commission until September 2006. (This abatement reportedly applies to a manufacturer in Monroe County.)

(2) An abatement could be granted for a new facility located in an existing industrial development district owned by a person who filed or amended an application for a certificate for personal property in June 2006 if the application was approved by the local governing body in August 2006 but not submitted to the State Tax Commission until 2007. The effective date of the certificate would be December 31, 2006. (Another bill, Senate Bill 345, also addresses this case, which reportedly applies to a manufacturer in Mt. Pleasant.)

(3) An abatement beginning December 31, 1998 and ending December 30, 2010 would be granted for certain specified property and then transferred to a new buyer if the facility was purchased by that buyer on or before November 1, 2007. This would apply if the State Tax Commission had issued an exemption certificate for a new facility on December 8, 1998 and then revoked it as of December 30, 2006. The new facility in this case would be taxed as if it had been granted an exemption certificate effective December 31, 1998. (This provision is said to apply to a microbrewery in Webberville.)

(4) An abatement could be granted for a new facility located in an industrial development district established in September of 2007 for construction that commenced in March 2007 and for which an exemption certificate was filed in September of 2007. (This reportedly applies to a start-up pharmaceutical research and development firm in Kalamazoo.)

(5) An abatement could be granted for a facility located in a district established in August 2007 and owned by a person who filed an application for an exemption certificate in June 2007 for equipment purchased in January 2007. (This is said to apply to a printing and design company in Three Rivers.)

MCL 207.553 and 559

**BACKGROUND INFORMATION:**

PA 198 allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial 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.

The act contains the process and timeline to be followed and the requirements that must be met for a certificate to be granted. However, the act also contains numerous provisions that allow exceptions to the act's standard requirements in order to address cases when the parties involved failed to follow normal procedures or failed to meet the usual deadlines. Senate Bill 757 would add five new exceptions.

**FISCAL IMPACT:**

The bill would reduce State of Michigan and local revenue in Mt. Pleasant, Webberville and Monroe by an indeterminate amount. Any reduction in the six-mill State Education Tax would result in increased expenditures from the Michigan School Aid Fund to maintain the per-pupil funding guarantees. Excluding the six mill State Education Tax, the value of the annual local property tax revenue reduction, including the applicable county tax, is estimated to be approximately $100,000 for Mt. Pleasant; $36,000 for Monroe; and $47,000 for Webberville. Data on the other two abatements (in Three Rivers and Kalamazoo) will be provided when available.

**POSITIONS:**

The Department of Treasury has indicated support for the bill. (11-7-07)

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