

Legislative Analysis



RENEWABLE ENERGY RENAISSANCE ZONES: ELIGIBLE FACILITIES

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House Bill 4950 (Substitute H-2)

Sponsor: Rep. Robert Dean

Committee: Energy and Technology

Complete to 5-1-08

A SUMMARY OF HOUSE BILL 4950 AS REPORTED FROM COMMITTEE

The bill would amend the Michigan Renaissance Zone Act to revise the definition of "**renewable energy facility**" in the section of the act that allows for the establishment of 10 renaissance zones specifically for renewable energy facilities.

The current definition of "renewable energy facility" is contained in Public Act 117 of 2008 (Senate Bill 885), effective April 29, 2008. Under Public Act 117, "**renewable energy facility**" means "a system that creates energy from a process using agricultural crops or processed products from agricultural crops; residues from agricultural products, forest products, paper products industries, and food production and processing; trees and grasses grown specifically to be used as energy crops; and gaseous fuels produced from solid biomass, animal wastes, or landfills. [Note: Senate Bill 885 was tied-barred to House Bill 5600, recently enacted as Public Act 116 of 2008. Although not included in the enrolled version, previous versions of House Bill 5600 contained changes to the definition of "renewable energy facility" similar to those in the current bill.]

The definition of "**renewable energy facility**" contained in House Bill 4950 would include facilities that (1) create energy *or fuels* from additional sources such as the wind, the sun, algae, and others; (2) focus on related research and development; or (3) manufacture renewable energy systems or their components. On the other hand, (1) energy from a process "using agricultural crops or processed products from agricultural crops" would be eliminated (although facilities that create energy or fuels from "agricultural commodities" would now be included); (2) a facility that produces energy from the residues from food production and processing would no longer be expressly included; (2) the current requirement that trees or grasses must be grown specifically as energy crops would be eliminated.

More specifically, the bill would define a "**renewable energy facility**" as

- A facility that creates energy or fuels from the wind, the sun, trees, grasses, biosolids, algae, agricultural commodities, residues from agricultural, wood, and forest products processes, or from the paper products industry. (Note: the terms "agricultural processing facility" and "forest products processing facility" have specific definitions in the act.)
- A facility that creates energy or fuels (not limited to gaseous fuels as is currently the case) from solid biomass, biosolids, animal wastes, landfills, or materials captured from landfills. (Note: the term "biosolids" appears twice.)

- A facility that focuses on research, development or manufacturing of systems or their components used to create energy or fuel from the sources described above as determined by the Strategic Fund Board.

MCL 125.2683(k)

BACKGROUND INFORMATION:

Renaissance zones are typically described as granting virtually tax-free status to the businesses or residents in them. Businesses in renaissance zones are exempt from the Michigan business tax (MBT), the six-mill state education tax, local real and personal property taxes, specific taxes levied in lieu of property taxes, and (in Detroit) the utility users tax, as well as state and city income taxes.

Legislation enacted in 2006 amended the Michigan Renaissance Zone Act to allow for the designation of up to 10 additional renaissance zones, specifically for renewable energy facilities. Such a renaissance zone can only be created with the consent of the appropriate city, village, or township, in which the facility is located (or a combination of local units). The zones would be designated by the State Administrative Board on the recommendation of the Michigan Strategic Fund Board.

When designating a renaissance zone for a renewable energy facility, the State Administrative Board must consider: the economic impact on local suppliers who supply raw materials, goods, and services to the facility; the creation of jobs "relative to the employment base of the community rather than the static number of jobs created"; the viability of the project; the economic impact on the community where the facility is located; and whether the facility could be located in an existing renaissance zone instead. Preference is to be given, "other things being equal," to a business entity already located in the state.

The SAB could revoke the designation of all or a portion of a zone for a renewable energy facility if it determined that the facility failed to commence operations; ceased operations; or failed to commence construction or renovation within one year from the date the zone was designated.

FISCAL IMPACT:

A fiscal analysis is in process. Note, however, that the bill as introduced does not expand the number of allowed renewable energy renaissance zones; instead, it expands the kinds of facilities eligible for designation.

POSITIONS:

The Michigan Economic Development Corporation supports the bill. (4-30-08)

The Michigan Farm Bureau supports the bill. (4-30-08)

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