

Legislative Analysis



MAKE ADDITIONAL FACILITIES ELIGIBLE FOR PROPERTY TAX EXEMPTIONS

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House Bills 5895 and 5896

Sponsor: Rep. Ed Clemente

Committee: New Economy and Quality of Life

Complete to 3-19-08

A SUMMARY OF HOUSE BILLS 5895 & 5896 AS INTRODUCED 3-13-08

The bills would amend two acts to make additional facilities eligible for existing property tax exemptions. The facilities would include major distribution and logistics facilities, headquarters facilities, competitive edge technology businesses, information technology facilities, and certain businesses that are currently eligible for business tax credits under the Michigan Economic Growth Authority Act.

House Bill 5895 would amend the Plant Rehabilitation District 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. 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. The bill would make those facilities listed earlier eligible for these abatements. They are defined later. (MCL 207.552)

House Bill 5896 would amend a section of the General Property Tax Act that allows local assessing districts in certain distressed areas to adopt a resolution exempting from taxation new personal property owned or leased by certain eligible businesses. To be eligible for the property tax exemption currently, a business must be engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. Additionally, the business must be located within an industrial development district, renaissance zone, enterprise zone, brownfield redevelopment zone, empowerment zone, tax increment financing district, or downtown development district within a city, village, or township that contains a "distressed area," as that term is defined under the State Housing Development Authority Act. The bill would make these additional facilities eligible for this property tax exemption, and would expand other eligibility criteria. (MCL 211.9f)

Definitions in House Bill 5895

The following definitions are found in House Bill 5895 but apply to both bills.

The term *headquarters facility* would mean "a proposed office and headquarters center that has or will have the ability to house 100 or more employees and has been approved by the president of the Michigan Strategic Fund. [In determining whether to approve the headquarters facility, the president of the fund would have to consider the following four criteria: 2) whether the facility had the ability to be located outside Michigan; 2) the number

of jobs and the amount of the wages for those jobs; 3) whether the facility will be a net benefit for this state; and 4) whether the operation of the facility will have a negative effect on employment elsewhere in Michigan.]

The term *major distribution and logistics facility* would mean a proposed distribution center that contains at least 300,000 square feet; has or will have an assessed value of \$5 million or more for the real property; and has been approved by the president of the Michigan Strategic Fund.

[In determining whether to approve the distribution and logistics facility, the president of the fund would have to consider the four criteria cited above, plus : whether the facility would serve a multi-state or multi-nation market.]

The term *competitive edge technology business* is imported from the Michigan Strategic Fund Act, where it refers to businesses engaged in life sciences technology; advanced automotive, manufacturing, and materials technology; homeland security and defense technology; and alternative energy technology.

Definitions in House Bill 5896

Under Section 9f of the General Property Tax Act, exemptions for new personal property are available to "an eligible business" located in one or more "eligible districts." The definitions of both of these terms would be amended.

The bill would amend the definition of *eligible business* by adding "the operation of a major distribution and logistics facility, the operation of a headquarters facility, the operation of a competitive edge technology business, the operation of an information technology facility, or the operation of a facility for which the business that owns or operates the facility is an eligible taxpayer" (Emphasis added). The term *eligible taxpayer* would refer to a taxpayer that meets both of the following conditions: 1) is an authorized business; and 2) is eligible for tax credits described in Section 9 of the Michigan Economic Growth Authority Act. The bill would add a definition of the new term *authorized business*, which would be imported from Section 3 of the Michigan Economic Growth Authority Act. These are businesses eligible for Single Business Tax credits and Michigan Business Tax credits awarded under MEGA.

The bill also would expand the definition of *eligible district* to include "an area that contains an eligible taxpayer." In addition, the bill would change the definition of *eligible distressed area* to include an area that contains an eligible taxpayer.

FISCAL IMPACT:

A fiscal analysis is in process.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.