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## BILL ANALYSIS

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Senate Bill 146 (as introduced 1-31-07)  
Sponsor: Senator Cameron S. Brown  
Committee: Economic Development and Regulatory Reform

Date Completed: 3-18-08

**CONTENT**

**The bill would amend the plant rehabilitation and industrial development Act, commonly called PA 198, to redefine "qualified commercial activity" (which may qualify property for a tax exemption under an industrial facilities exemption certificate). The bill also would require a local unit to give 15, rather than 14, days' notice of the termination of a district.**

Qualified Commercial Activity

Currently, "qualified commercial activity" means commercial property that meets all of the following:

- An application for an exemption certificate approved by the local governmental unit was filed for approval by the State Tax Commission by April 30, 2006.
- At least 90% of the property, excluding the surrounding green space, is used for warehousing, distribution, and logistics purposes that provide food for institutional, restaurant, hospital, or hotel customers.
- The property is located within a village and is within 15 miles of a Michigan border.
- It occupies one or more buildings or structures that together exceed 300,000 square feet in size.

The bill would define "qualified commercial activity", instead, as commercial property that meets all of the following:

- Is used for warehousing, distribution, or logistic purposes, or for a communication service center.
- Occupies a building or structure that is larger than 100,000 square feet.

Under the Act, a local governmental unit, by resolution of its legislative body, may establish a plant rehabilitation or industrial development district that consists of one or more parcels or tracts of land or a portion of a parcel or tract of land. After a district has been established, the owner or lessee of a facility may file an application for an industrial facilities exemption certificate with the clerk of the local unit. A facility for which an industrial facilities exemption certificate is in effect, but not the land on which the facility is located or its inventory, is exempt from ad valorem real and personal property taxes.

The definition of "facility" includes a replacement facility and a new facility. "Replacement facility" generally means industrial property that is to be acquired, constructed, altered, or installed to replace or restore obsolete industrial property, and "new facility" means new



industrial property other than a replacement facility to be built in a plant rehabilitation or industrial development district.

The definition of "industrial property" includes structures and equipment whose primary purpose is the operation of qualified commercial activity.

#### Notice of District Termination

Currently, before acting on a proposed resolution terminating a plant rehabilitation or industrial development district, a local unit of government must give at least 14 days' written notice by certified mail to the owners of all real property within the district, and must hold a public hearing on the termination of the district.

Under the bill, the local unit of government would have to give at least 15 days' written notice.

MCL 207.552 & 207.554

Legislative Analyst: Craig Laurie

#### **FISCAL IMPACT**

The bill would reduce local unit revenue, increase School Aid Fund expenditures, and depending upon how many State education tax mills were included under a certificate, would reduce State School Aid Fund revenue. The fiscal impact would depend upon the number of additional properties affected, as well as their specific characteristics. In general, the bill would reduce property taxes upon a facility by approximately 1% of the value of the facility. Under the average statewide rate on commercial property, the bill would reduce the property taxes on affected facilities by at least \$12,000 per facility. The allocation of the fiscal impact across local units and the School Aid Fund would depend upon local property tax rates.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.