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BILL ANALYSIS

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Senate Bill 276 (as introduced 2-27-07)
Sponsor: Senator Roger Kahn, M.D.
Committee: Finance

Date Completed: 4-26-07

CONTENT

The bill would amend the General Property Tax Act to maintain the tax-exempt status of certain new personal property sold or leased by an existing eligible business to an acquiring eligible business; and extend the exemption to any new personal property leased or purchased by that business.

The Act allows the governing body of an eligible local tax assessing district to adopt a resolution exempting from the collection of taxes under the Act all new personal property leased or owned by an eligible business located in one or more eligible districts designated in the resolution. The exemption is effective on the December 31 immediately following the adoption of the resolution and continues in effect for a period specified in the resolution. The State Tax Commission must approve or disapprove the resolution.

Under the bill, if an existing eligible business sold or leased to another eligible business new personal property exempt from personal property tax under a resolution adopted by an eligible local tax assessing district, the exemption granted to the existing eligible business would continue in effect for the period specified in the resolution for the new personal property purchased or leased from the existing eligible business by the acquiring eligible business and for any new personal property purchased or leased by the acquiring business.

The bill would define "existing eligible business" as an eligible business identified in the resolution adopted by an eligible local tax assessing district for which an exemption had been granted. "Acquiring eligible business" would mean an eligible business that purchased or leased assets of an existing eligible business, including the purchase or lease of new personal property exempt from property taxes under this section of the Act, and that would conduct business operations similar to those of the existing eligible business at the location of that business within the eligible district.

The Act defines "eligible business" as a business engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. The definition expressly excludes a casino, retail establishment, professional sports stadium, any portion of an eligible business used exclusively for retail sales, and all property associated or affiliated with the operation of a casino.

An "eligible district" may be one or more of the following:

-- An industrial development district as defined in Public Act 198 of 1974.
-- A renaissance zone as defined in the Michigan Renaissance Zone Act.
-- An enterprise zone as defined in the Enterprise Zone Act.
-- A brownfield redevelopment zone as designated under the Brownfield Redevelopment Financing Act.

-- An empowerment zone designated under the Internal Revenue Code.
-- An authority district or a development area as defined in the Tax Increment Finance Authority Act.
-- An authority district as defined in the Local Development Financing Act.
-- A downtown district or a development area as defined in Public Act 197 of 1975.

An "eligible local assessing district" is a city, village, or township that contains an eligible distressed area. "Eligible distressed area" means that term as defined in the State Housing Development Authority Act (which refers to an area in a city with a population under 10,000 that has been designated "blighted"; a municipality that shows a negative population change from 1970, and a poverty rate and unemployment rate above the statewide average; or an area certified as a neighborhood enterprise zone). "Eligible distressed area" also includes an area that contains an eligible business as described in Section 8(5)(b)(ii) of the Michigan Economic Growth Authority Act (a facility that maintains 150 retained jobs at the facility, maintains 1,000 or more full-time jobs in Michigan, and makes new capital investment in the State).

"New personal property" is personal property that was not previously subject to taxation under the General Property Tax Act and that is placed in an eligible district after a resolution exempting new personal property is approved by the eligible local assessing district. "New personal property" does not include buildings on leased land or, during the tenancy of a lessee, personal property or improvements to real property held under certain leaseholder arrangements described in the Act.

MCL 211.9f Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would have an unknown and likely negligible effect on local unit revenue and an unknown and likely negligible effect on State expenditures. To the extent that the bill would not change property sales or acquisition, it would not reduce local unit revenue. Any reduction in school operating mills would be offset by increased School Aid Fund expenditures in order to maintain per pupil funding guarantees. To the extent that property that would not be sold under current law was sold under the bill (and/or some taxpayers purchased the used property when they otherwise would have purchased new property), the bill would have an indeterminate effect upon local unit revenue.

Fiscal Analyst: David Zin

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