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BILL



ANALYSIS

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Senate Bill 345 (as enacted)  
Sponsor: Senator Alan L. Cropsey  
Senate Committee: Commerce and Tourism  
House Committee: Commerce

**PUBLIC ACT 516 of 2008**

Date Completed: 7-6-09

**CONTENT**

**The bill amended the plant rehabilitation and industrial development Act, commonly referred to as PA 198, to allow an industrial facilities exemption certificate to be approved for certain facilities that received local approval despite not meeting certain procedural timetables.**

The bill took effect on January 13, 2009.

Under the Act, except for an application for a speculative building, the legislative body of a local governmental unit (a city, village, or township) may not approve an application and the State Tax Commission may not grant an industrial facilities exemption certificate unless the applicant complies with various requirements, which include the following:

- The proposed facility must be located within a plant rehabilitation district or industrial development district that was duly established in an eligible local governmental unit upon a request filed, or by the local unit's own initiative taken, before the restoration, replacement, or construction of the facility commenced.
- The restoration, replacement, or construction of the facility must not have commenced earlier than six months before the application for the industrial facilities exemption certificate was filed.

Additionally, except as otherwise provided, a request for the establishment of a proposed plant rehabilitation or industrial development district may be filed only in connection with

a proposed replacement facility or new facility whose construction, acquisition, alteration, or installation has not commenced at the time the request is filed. The legislative body of a local governmental unit may not establish a plant rehabilitation or an industrial development district if it finds that the request for the district was filed after the commencement of construction, alteration, or installation of, or an acquisition related to, the proposed replacement facility or new facility.

The Act makes exceptions to these criteria for certain facilities. In addition, under Public Act 515 of 2008, the requirements do not apply to a facility located in an industrial development district that otherwise meets the criteria of the Act that has received written approval from the chairperson of the Michigan Economic Growth Authority.

Under the bill, the criteria described above also do not apply to any of the following:

- A new facility located in an industrial development district that was established by the legislative body of the local governmental unit in August 2008 for construction that began in December 2005 and certificate of occupancy issued in September 2006 for which an application for an industrial facilities exemption certificate was filed in August 2008.
- A facility located in an industrial development district owned by a person who filed an application for a certificate for real and personal property in April

2005 if the application was approved by the local unit's legislative body in July 2005 for construction that began in July 2004.

- A facility located in an industrial development district that was established by the local unit's legislative body in December 2007 for construction that began in September 2007 and a certificate of occupancy issued in September 2008 for which an application for an industrial facilities exemption certificate was approved in May 2008.

Also, if in August 2008 a local unit passed a resolution approving an exemption certificate for 12 years for real and personal property but the State Tax Commission did not receive the application until 2008, then the Commission must issue, for that property, an industrial facilities exemption certificate that begins December 31, 2006, and ends December 30, 2018. A facility fitting this description must be taxed as if it had been granted an industrial facilities exemption certificate on December 31, 2006.

MCL 207.559

## **BACKGROUND**

Under the Act, in a local unit that has established a plant rehabilitation district or an industrial development district, the owner or lessee of industrial property in the district may apply to the local unit for an industrial facilities exemption certificate. Upon approval by the local unit's legislative body, the application is forwarded to the State Tax Commission, which issues an industrial facilities exemption certificate if it determines that the facility conforms with the Act. A certificate may be issued for a combined total of 12 years for any one facility. The certificate exempts the facility (but not the land or inventory) from real and personal property taxes, and makes it subject to a specific industrial facilities tax. For a new facility, the specific tax is 50% of what the property tax otherwise would be, plus the State Education Tax. For a replacement facility, the specific tax essentially is the amount that property taxes would be based on the value of the facility before renovation.

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bill will reduce State and local unit revenue and increase School Aid Fund expenditures by an unknown amount. The impact on State revenue depends on whether 0, 3, or 6 mills of the State Education Tax are abated under any certificates issued as a result of the bill. Any reduction in local school district operating revenue will be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

The magnitude of the impact also depends upon the characteristics of the properties affected. For those certificates that are issued for a new facility, the revenue impact will represent an increase in revenue that will not be realized when the construction is completed.

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.