Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 686 (as introduced 8-22-07)
Sponsor: Senator Roger Kahn, M.D.
Committee: Economic Development and Regulatory Reform

Date Completed: 11-6-07

**CONTENT**

The bill would amend the Michigan Renaissance Zone Act to include in the definition of "renewable energy facility" a system that creates energy from a process using agricultural crops.

Currently, the definition includes a system that creates energy from a process using 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.

(The Act allows the State Administrative Board to designate up to 10 renaissance zones for renewable energy facilities upon the recommendation of the Michigan Strategic Fund board in one or more cities, villages, or townships if the municipality or combination of municipalities consents to the creation of a renaissance zone for a renewable energy facility within its boundaries.

The State Administrative Board must require a development agreement between the Michigan Strategic Fund and the renewable energy facility, and may revoke the designation of all or part of the renaissance zone if it determines that the facility fails to commence operation, ceases operation, or fails to commence construction or renovation within one year from the date the zone is designated.

Under the Act, an individual who is a resident of a renaissance zone or a business located and conducting business activity within a renaissance zone, may receive certain tax exemptions, deductions, or credits as provided in various tax laws.)

MCL 125.2683 Legislative Analyst: Patrick Affholter

**FISCAL IMPACT**

The bill would likely have a minimal impact on State and local revenue. The bill would not change the number of renaissance zones allocated to renewable energy facilities, but would expand the types of activities that qualify a firm as a renewable energy facility. As a result, the bill could increase the level of activity within affected zones. The impact of the bill would depend on a number of factors, including where the additional activity would be located and the economic and tax characteristics of the renewable energy facilities that would be developed.

The bill would reduce revenue to both the State and local units and would increase State expenditures from the General Fund. Most local property taxes abated in renaissance zones are not reimbursed by the State, reducing local unit revenue. However, the State's General Fund reimburses lost revenue to public libraries, intermediate school districts, local school districts, community colleges, and the School Aid Fund. Local school districts are able to levy 18 mills upon nonhomestead property, and the State education tax levies 6 mills on all property. Tax levies for the other reimbursed components can vary widely, although it is not uncommon for schools to levy an additional 6 to 12 mills in more rural areas, where these facilities may be more likely to be established. If $100 million of investments were eventually made in the zones as a result of the bill, the bill would increase General Fund expenditures by at least $1.5 million per year, a portion of which would represent lost School Aid Fund revenue. Revenue losses, such as under the business taxes and individual income tax, are not reimbursed and are not included in this example; nor are local unit revenue losses that would not be reimbursed.

Fiscal Analyst: David Zin