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 885 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Roger Kahn, M.D.
Senate Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the Michigan Renaissance Zone Act to do all of the following:

-- Require the recommendation of the Agriculture Commission, in addition to that of the Michigan Strategic Fund (MSF) board, for the State Administrative Board to designate a renaissance zone for a renewable energy facility that used agricultural crops or residues or processed products from agricultural crops as its primary raw material source.
-- Allow the MSF board to expand a tool and die renaissance recovery zone if the additional real property were contiguous to and would become a qualified tool and die business property, and the city, village, or township where it was located consented.
-- Allow a business located and conducting business in a renaissance zone to receive a tax credit provided under the Michigan Business Tax Act.

The bill is tie-barred to House Bill 5100, which would amend the Act to include a system that creates energy from agricultural crops or their processed products in the definition of "renewable energy facility".

MCL 125.2688d et al. Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Senate Bill 885 (S-1) and House Bill 5100 (S-1) would likely have a minimal impact on State and local revenue. The bills 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. Similarly, Senate Bill 885 (S-1) would expand the size of a renaissance recovery zone. As a result, the bills could increase the level of activity within affected zones. The impact would depend on a number of factors, including where the additional activity would be located and the economic and tax characteristics of the facilities that would be developed.

The bills 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 bills, the bills 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.

The change related to the Michigan business tax is essentially technical. Currently, facilities located within renaissance zones are exempt from the single business tax, which will be replaced by the Michigan business tax beginning January 1, 2008. The Michigan business tax already contains provisions to extend renaissance zone tax preferences to qualified taxpayers.

Date Completed: 11-29-07 Fiscal Analyst: David Zin