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Senate Bill 885 (as introduced 11-7-07)  
House Bill 5100 (as passed by the House)  
Sponsor: Senator Roger Kahn, M.D. (S.B. 885)  
Representative Jeff Mayes (H.B. 5100)  
Senate Committee: Economic Development and Regulatory Reform  
House Committee: Agriculture (H.B. 5100)

Date Completed: 11-6-07

### **CONTENT**

**Senate Bill 885 and House Bill 5100 would amend the Michigan Renaissance Zone Act to do all of the following:**

- Require the recommendation of the Agriculture Commission in order for the State Administrative Board to designate a renaissance zone for a renewable energy facility, if the facility used agricultural commodities or residues, plants, or plant products as its primary raw material source.**
- Include in the definition of "renewable energy facility" a system that creates energy from a process using agricultural crops or processed products from agricultural crops.**
- Allow a business located and conducting business activity within a renaissance zone to receive a tax credit provided under the Michigan Business Tax Act.**

Senate Bill 885 is tie-barred to House Bill 5100.

### **Senate Bill 885**

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 bill, the recommendation of the Commission on Agriculture also would be required if the renewable energy facility used agricultural commodities or residues, plants, or plant products as its primary raw material source.

Under the Act, an individual who is a resident of a renaissance zone or a business that is located and conducting business activity within a renaissance zone, may receive certain tax exemptions, deductions, or credits as provided in various tax laws. These include a credit allowed under the Single Business Tax Act (which will be repealed on December 31, 2007).

The bill would include a credit allowed under the Michigan Business Tax Act (which will take effect on January 1, 2008).

### **House Bill 5100**

The Michigan Renaissance Zone Act defines "renewable energy facility" as 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 bill would include a system that creates energy from a process using agricultural crops or processed products from agricultural crops.

MCL 125.2688e et al. (S.B. 885)  
125.2683 (H.B. 5100)

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bills 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. As a result, the bills could increase the level of activity within affected zones. The impact of the bills 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 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. The single business tax 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.

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.