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BILL ANALYSIS

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Senate Bill 980 (Substitute S-1)
Sponsor: Senator John Pappageorge
Committee: Commerce and Tourism

(as enacted)

Date Completed: 6-2-08

CONTENT

The bill would amend the General Property Tax Act to allow the governing body of an eligible local assessing district to adopt a resolution exempting all new personal property owned or leased by an eligible business located in one or more "distressed parcels" from the collection of taxes under the Act.

The Act allows an eligible local assessing district to adopt a resolution exempting all new personal property owned or leased by an eligible business located in one or more eligible districts designated in the resolution from the collection of taxes under the Act. Under the bill, this also would apply to new personal property owned or leased by an eligible business in one or more distressed parcels.

Currently, the clerk of the assessing district must give written notice to the assessor of the local tax collecting unit in which the eligible district is located and the legislative body of each taxing unit that levies ad valorem property taxes in the eligible local assessing district in which the eligible district is located. The bill also would refer to a distressed parcel in this provision.

"Distressed parcel" would mean a parcel of real estate in a city or village that is located in a "qualified downtown revitalization district", is zoned to allow for mixed use, and meets at least one of the following conditions:

- Has a "blighted" or "functionally obsolete" building located on the parcel.
- Is a vacant parcel that previously had been occupied.

"Qualified downtown revitalization district" would mean an area located within one or more of the following:

- The boundaries of a downtown district, as defined in the downtown development authority (DDA) Act.
- The boundaries of a principal shopping district or a business improvement district, as defined in the principal shopping district Act.
- The boundaries of the local governmental unit in an area that is zoned and primarily used for business as determined by the local governmental unit.

"Blighted" and "functionally obsolete" would mean those terms as defined in the Brownfield Redevelopment Financing Act (MCL 125.2652). Under that Act, "blighted" means property that meets any of the following criteria as determined by the governing body:

- Has been declared a public nuisance in accordance with a local housing, building, plumbing, fire, or other related code or ordinance.
- Is an attractive nuisance to children because of physical condition, use, or occupancy.
- Is a fire hazard or is otherwise dangerous to the safety of people or property.
- Has had the utilities, plumbing, heating, or sewerage permanently disconnected, destroyed, removed, or rendered ineffective so that the property is unfit for its intended use.
- Is tax-reverted property owned by a qualified local governmental unit, a county, or the State.
- Is property owned or under the control of a land bank fast track authority.
- Has substantial subsurface demolition debris buried on site so that the property is unfit for its intended use.

"Functionally obsolete" means that the property is unable to be used adequately to perform the function for which it was intended due to a substantial loss in value resulting from factors such as overcapacity, changes in technology, deficiencies or superadequacies in design, or other similar factors that affect the property itself or the property's relationship with other surrounding property.

Under the General Property Tax Act, "eligible local assessing district" means a city, village, or township that contains an eligible distressed area. "Eligible distressed area" means that term as defined in Section 11 of the State Housing Development Authority Act (MCL 125.1411) or an area that contains an eligible business as described in Section 8(5)(b)(ii) of the Michigan Economic Growth Authority Act (MCL 207.808).

"Eligible district" means one or more of the following:

- An industrial development district.
- A renaissance zone.
- An enterprise zone.
- A brownfield redevelopment zone.
- An empowerment zone under Subchapter U of Chapter 1 of the Internal Revenue Code..
- An authority district or a development area under the Tax Increment Finance Authority Act.
- An authority district under the Local Development Financing Act.
- A downtown district or a development area under the DDA Act.

(Under the DDA Act, "downtown district" means that part of an area in a business district that is specifically designated by ordinance of the governing body of the municipality pursuant to the Act. A downtown district may include one or more separate and distinct geographic areas in a business district as determined by the municipality if the municipality enters into an agreement with a qualified township under Act or if the municipality is a city that surrounds another city and that other city lies between the two separate and distinct geographic areas.

Under the principal shopping district Act, "principal shopping district" means a portion of a local governmental unit designated by the governing body of the local unit that is predominantly commercial and that contains at least 10 retail businesses. "Business improvement district" means one or more portions of a local governmental unit or combination of contiguous portions of two or more local governmental units that are predominantly commercial or industrial in use.)

MCL 211.9f

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no impact on State revenue. The bill would reduce local unit revenue by an unknown amount, assuming that a local unit were to exempt new personal property and that the property otherwise would be acquired. The amount of revenue loss would depend upon how much new personal property was exempted as a result of the bill and the millage rates in the community providing the exemption. To the extent that revenue from school operating mills would be reduced, expenditures from the State School Aid Fund would be increased in order to maintain per-pupil funding guarantees.

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.