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BILL ANALYSIS

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Senate Bill 1206 (Substitute S-2 as reported) *(as enacted)*
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

CONTENT

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

-- Allow the board of the Michigan Strategic Fund (MSF) to choose a beginning date of January 1 for a renaissance zone designation, up to five years after the designation of certain renaissance zones.
-- Extend to all tax years a provision allowing a business, in tax years beginning on or after January 1, 2006, to receive tax exemptions under the Act even though it failed to file a single business tax (SBT) return, if the business had no SBT liability for the tax year for which it failed to file a return.

Under the Act, the designation of a renaissance zone takes effect on January 1 in the year following designation. Under the bill, for designations made under Section 8a(2), the MSF board could choose a beginning date, provided that the date was January 1 and was not more than five years after the designation date. The MSF board could provide that the beginning date be determined under a written agreement between it and the qualified local governmental unit in which the renaissance zone was to be located. (Under Section 8a(2), the MSF board may designate up to 17 renaissance zones in addition to the zones designated by the State Administrative Board. The MSF board may designate not more than one of the 17 zones as an alternative energy zone; not more than eight as redevelopment renaissance zones; and not more than one as a pharmaceutical recovery renaissance zone.)

MCL 125.2686 & 125.2690 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have an unknown and likely negligible impact on both State and local unit revenue and on State expenditures from the General Fund, primarily because the bill essentially would alter the timing of the revenue impacts from affected renaissance zone designations. The bill would allow the effects of a zone designation to begin at a later date—effectively increasing revenue in earlier years while reducing revenue in later years. The magnitude of any changes would depend upon the specific characteristics of the property affected by the bill.

Under existing law, businesses located in a renaissance zone are exempt from State and local property taxes, State and local income taxes, local utility taxes, and the Michigan business tax. Any reductions in local school district revenue from mills levied for operating purposes or mills levied by community colleges are offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

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. Revenue losses, such as under the business taxes and individual income tax, are not reimbursed; nor are local unit revenue losses that would not be reimbursed.

Renaissance zone credits under the Single Business Tax Act were estimated to total $22.1 million in FY 2007-08, while exemptions under the individual income tax were predicted to total $0.3 million and property tax exemptions were estimated to total $120.0 million. Reimbursements from the General Fund were appropriated at $3.1 million during FY 2007-08 and are expected to total $3.9 million in FY 2008-09.

Date Completed: 6-4-08 Fiscal Analyst: David Zin

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