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BILL ANALYSIS

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Senate Bill 1281 (as enrolled)
Sponsor: Senator Cameron S. Brown
Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 1-13-09

CONTENT

The bill would amend the General Property Tax Act to allow a city, village, or township located in a county that borders another state or Canada, to exempt from the collection of taxes under the Act all new personal property leased or owned by an eligible business located in one or more eligible districts, subject to certain conditions.

The Act allows the governing body of an eligible local assessing district to adopt a resolution exempting from the collection of taxes under the Act all new personal property leased or owned by an eligible business located in one or more eligible districts designated in the resolution.

The Act defines "eligible local assessing district" as a city, village, or township that contains an eligible distressed area. Under the bill, it also would mean a city, village, or township that meets one or both of the following conditions and is located in a county that partially or entirely borders another state or Canada:

-- Is currently served by at least four of the following services: water, sewer, police, fire, trash, and recycling.
-- Is party to an agreement under Public Act 425 of 1984 with a city, village, or township that provides at least four of those services.

(Under Public Act 425 of 1984, two or more local units of government may conditionally transfer property for up to 50 years for the purpose of an economic development project.)

An exemption is effective on the December 31 immediately succeeding the adoption of the resolution by the governing body of the eligible local assessing district and must continue in effect for a period specified in the resolution. Under the bill, however, an exemption could not be granted after December 31, 2012, for an eligible business located in an eligible district containing an eligible taxpayer or in an eligible local assessing district that was party to an agreement under Public Act 425 of 1984. ("Eligible taxpayer" means a taxpayer that is an authorized business and is eligible for certain business tax credits under the Michigan Economic Growth Authority.)

Under the General Property Tax Act, a copy of the resolution must be filed with the State Tax Commission and Commission must approve or disapprove the resolution. The State Treasurer, with the concurrence of the president of the Michigan Strategic Fund (MSF), must advise the Commission as to whether the exemption is necessary to reduce unemployment, promote economic growth, and increase capital investment in the State.

Under the bill, a copy of the resolution also would have to be filed with the State Treasurer, and the MSF president. The Commission would have to determine if the new personal property subject to the exemption was owned or leased by an eligible business and if the business was located in one or more eligible districts. If the Commission determined that the property was owned or leased by an eligible business that was located in one or more eligible districts, the Treasurer, with the concurrence of the MSF president, would have to approve the resolution if they determined that the exemption was necessary to reduce unemployment, promote economic growth, and increase capital investment in the State.

In addition, for an eligible business located in an eligible local assessing district that was party to an agreement under Public Act 425 of 1984, as described above, the adopted resolution would have to be approved if the Treasurer and the MSF president determined that granting the exemption was a net benefit to this State, that expansion, retention, or location of an eligible business would not occur in this State without the exemption, and that there was no significant negative effect on employment in other parts of this State as a result of the exemption.

The General Property Tax Act defines "eligible business" as a business engaged primarily in manufacturing, mining, research and development, wholesale trade, or office operations. The definition expressly excludes a casino, retail establishment, professional sports stadium, and any portion of an eligible business used exclusively for retail sales.

An "eligible district" may be one or more of the following:

-- An industrial development district as defined in Public Act 198 of 1974.
-- A renaissance zone as defined in the Michigan Renaissance Zone Act.
-- An enterprise zone as defined in the Enterprise Zone Act.
-- A brownfield redevelopment zone as designated under the Brownfield Redevelopment Financing Act.
-- An empowerment zone designated under the Internal Revenue Code.
-- An authority district or a development area as defined in the Tax Increment Finance Authority Act.
-- An authority district as defined in the Local Development Financing Act.
-- A downtown district or a development area as defined in Public Act 197 of 1975.
-- An area that contains an eligible taxpayer.

"New personal property" is personal property that was not previously subject to taxation under the General Property Tax Act and that is placed in an eligible district after a resolution exempting new personal property is approved by the eligible local assessing district. "New personal property" does not include buildings on leased land or, during the tenancy of a lessee, personal property or improvements to real property held under certain leaseholder arrangements.

MCL 211.9f

Legislative Analyst: Craig Laurie

FISCAL IMPACT

The bill would provide additional circumstances under which exemptions could be granted. These provisions would have no impact on State revenue and 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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