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 1281 (as introduced 4-29-08)
Sponsor: Senator Cameron S. Brown
Committee: Finance

Date Completed: 11-5-08

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.

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 exemption continues in effect for a period specified in the resolution. The State Tax Commission must approve or disapprove the resolution.

"Eligible local assessing district" means a city, village, or township that contains an eligible distressed area. Under the bill, it would mean a city, village, or township that contains an eligible distressed area or that is located in a county, all or a portion of which borders another state or Canada.

"Eligible distressed area" means that term as defined in the State Housing Development Authority Act (which refers to an area in a city with a population under 10,000 that has been designated "blighted"; a municipality that shows a negative population change from 1970, and a poverty rate and unemployment rate above the statewide average; or an area certified as a neighborhood enterprise zone). "Eligible distressed area" also includes an area that contains an eligible business as described in Section 8(5)(b)(ii) of the Michigan Economic Growth Authority Act (a facility that maintains 150 retained jobs at the facility, maintains 1,000 or more full-time jobs in Michigan, and makes new capital investment in the State).

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, any portion of an eligible business used exclusively for retail sales, and all property associated or affiliated with the operation of a casino.

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.

"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 have an indeterminate effect on local property tax revenue and State School Aid Fund (SAF) expenditures. As currently written, the bill would eliminate changes to the Act made in Public Acts 230 and 285 of 2008. Those changes generally expanded the conditions under which exemptions could be granted and will reduce local unit revenue and increase SAF expenditures in order to maintain per-pupil funding guarantees.

The bill also would provide additional circumstances under which exemptions could be granted. As with the earlier changes, these provisions in the bill 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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