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BILL ANALYSIS

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Senate Bill 1376 (as reported without amendment)
Sponsor: Senator Alan Sanborn
Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the plant rehabilitation and industrial development Act (commonly referred to as PA 198) to revise the definition of "industrial property" by including convention and trade centers over 100,000 square feet in size, rather than over 250,000 square feet.

Under the Act, a local unit, by resolution of its legislative body, may establish a plant rehabilitation district or an industrial development district on its own initiative or upon a written request filed by the owner or owners of 75% of the State equalized valuation (SEV) of the industrial property located within a proposed district. The legislative body must set forth in its resolution a finding that at least 50% of the SEV of the industrial property within the district is obsolete. With the approval of the State Tax Commission, local units that establish districts may grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a district.

"Industrial property" currently includes, among other things, convention and trade centers that are over 250,000 square feet in size. The bill instead would include such facilities that were over 100,000 square feet in size.

MCL 207.552

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce the property taxes that otherwise would be assessed on new convention and trade centers with total square footage of between 100,000 square feet and 250,000 square feet that are built in a plant rehabilitation or industrial development district, and for which local units of government would grant an exemption certificate and thus make the facility eligible for the industrial facilities tax. Under this tax, a new or replacement facility is assessed taxes equal to one-half of the local property taxes that otherwise would be assessed on the particular structure. (The tax reduction does not apply to the State education tax.) There is no way to estimate the reduction in local property tax revenue that would occur under this bill because there is no way to know how many new convention and trade facilities ultimately would qualify for and be granted this property tax reduction. However, to help put the potential fiscal impact into perspective, using statewide average property tax rates, reducing all property taxes, except the State education tax, by one half would reduce property taxes by \$11,500 annually for every \$1.0 million of the market value of a convention and trade center.

Date Completed: 6-18-08

Fiscal Analyst: Jay Wortley