



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 1483 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

CONTENT

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

- Increase from 25 to 35 the maximum number of tool and die renaissance recovery zones that the board of the Michigan Strategic Fund (MSF) may designate.
- Allow a recovery zone to include a qualified tool and die business with 75 or more full-time employees if it entered into an agreement with the MSF and the local unit or units; and allow the agreement to include a payment in lieu of taxes for public safety and fire protection services or for school funding.
- Exclude a tool and die renaissance recovery zone with a duration of less than 15 years from a provision that requires a taxpayer's tax break to be reduced during the final three years of renaissance zone designation.

Currently, a business that is located and conducts business activity within a renaissance zone may not make a payment in lieu of taxes (PILT) to any taxing jurisdiction within the qualified local governmental unit in which the renaissance zone is located. Also, a qualified tool and die business must have fewer than 75 full-time employees.

Under the bill, a recovery zone could include a qualified tool and die business that had 75 or more full-time employees, if that business entered into a written agreement with the MSF board and the local unit or units in which it was located. The agreement could include a PILT to compensate the city, village, or township for public safety and fire protection services provided to the business. If the services were provided by the county or another public entity instead of the city, village, or township, the PILT would have to be paid directly to the county or other public entity.

An agreement also could include a PILT to the State of up to the amount the facility would have paid under the State Education Tax Act and the Revised School Code if it were not eligible for exemptions, deductions, or credits under the Michigan Renaissance Zone Act. Any PILT paid to the State would have to be credited to the State School Aid Fund.

MCL 125.2686 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local revenue, as well as increase expenditures from the School Aid Fund. Businesses located in the zones are exempt from State and local property taxes, State and local income taxes, local utility taxes, and the Michigan business tax (MBT). By increasing the number of zones, as well as the size of the firms that may be included within a zone, the bill would reduce the revenue from these taxes. The actual amount of any reductions would depend upon the specific characteristics of the properties and businesses affected. Any reduction in local school district revenue from mills levied for

operating purposes would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees. Reductions in revenue to community colleges and libraries are reimbursed with General Fund revenue. In FY 2008-09, appropriations for renaissance zone reimbursements include \$3.8 million for libraries, \$3.5 million for community colleges, and \$57.5 million for K-12 education.

Assuming that tool and die firms, on average, are the same as other firms within the nonelectrical machinery sector, if every tool and die firm in Michigan were included within a zone under the changes proposed in this bill, it is estimated that MBT revenue would be reduced by approximately \$1.2 million in tax year 2009, and all of this loss in revenue would affect the General Fund. In addition, School Aid Fund revenue from the State education property tax would be reduced an estimated \$1.3 million and School Aid Fund expenditures would increase an estimated \$4.0 million due to a reduction in the local school 18-mill property tax. Local government property taxes also would be reduced an estimated \$9.0 million. There is no way to know at this time how many tool and die firms would be included in a zone. These estimates reflect the estimated fiscal impact of this bill if all tool and die businesses were included in a zone and none participated in a payment-in-lieu-of-taxes agreement, and therefore are estimates of the maximum potential loss in tax revenue.

Excluding some businesses within a tool and die recovery zone from making payments in lieu of taxes also would reduce State and local unit revenue by an unknown amount that would depend upon the specific characteristic of the affected property and the local unit where the property is located.

Date Completed: 12-3-08

Fiscal Analyst: David Zin

Floorsb1483

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.