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BILL ANALYSIS

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Senate Bill 1584 (as introduced 11-5-08)  
Sponsor: Senator Jason E. Allen  
Committee: Economic Development and Regulatory Reform

Date Completed: 11-12-08

### **CONTENT**

**The bill would amend the plant rehabilitation and industrial development Act, commonly referred to as PA 198, to do both of the following:**

- Include an electric generating plant fueled by biomass in the definition of "industrial property" through 2009, rather than 2007.**
- Require the State Tax Commission to issue an exemption certificate for certain property.**

#### Electric Generating Plant

The Act allows local units of government to grant exemption certificates to new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. A certificate essentially grants a property tax abatement for industrial property, which is subject to an industrial facilities tax that is lower than standard property taxes.

For applications approved by the legislative body of a local governmental unit between June 30, 1999, and December 31, 2007, "industrial property" includes an electric generating plant fueled by biomass. Under the bill, an electric generating plant fueled by biomass would be included for applications approved by the local unit between June 30, 1999, and December 31, 2009.

#### Exemption Certificate

Under the bill, if a local governmental unit, pursuant to Section 16a of the Act, passed a resolution approving an industrial facilities exemption certificate for a facility on September 10, 2008, for a certificate that expired in December 2007, the State Tax Commission would have to issue for that property an industrial facilities exemption certificate that began on December 30, 2007, and ended on December 30, 2013.

(Under Section 16a, if an industrial facilities exemption certificate becomes effective after December 31, 1995, for a period shorter than the maximum period allowed under the Act, then both of the following apply:

- The owner or lessee may, within the final year in which the certificate is effective, apply for another certificate.

-- The local legislative body may not approve applications for certificates if the sum of their periods exceeds the maximum allowable period.)

MCL 207.552 & 207.557

Legislative Analyst: Patrick Affholter

**FISCAL IMPACT**

The bill will reduce State and local unit revenue by an unknown amount. The actual amount of the reduction would depend upon the characteristics of the property for which the certificate was issued. Assuming the new certificate also would be for a new facility, the bill would reduce revenue from the property by 50%, including School Aid Fund revenue, local unit revenue, and local school district revenue. The impact on the State education tax would depend on whether 0, 3, or all 6 mills of the tax were abated under the certificate. Any reduction in local school district revenue for the 18 mills levied for operating purposes would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

Fiscal Analyst: David Zin

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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.