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BILL ANALYSIS

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House Bill 4950 (Substitute S-2 as reported)
Sponsor: Representative Robert Dean
House Committee: Energy and Technology
Senate Committee: Agriculture

CONTENT

The bill would amend the Michigan Renaissance Zone Act to redefine "renewable energy facility" as a facility that creates energy directly or fuel from the wind, sun, trees, grasses, biosolids, algae, agricultural commodities, processed products from agricultural commodities, or residues from agricultural processes, wood or forest processes, food production and processing, or the paper products industry. The term would include a facility that creates energy or fuels from solid biomass, animal wastes, or landfill gases. The term also would include a facility that focuses on research, development, or manufacturing of systems or components of systems used to create energy or fuel from the items described above.

Currently, "renewable energy facility" means a system that creates energy from a process using agricultural crops or processed products from agricultural crops; residues from agricultural products, forest products, paper products industries, and food production and processing; trees and grasses grown specifically to be used as energy crops; and gaseous fuels produced from solid biomass, animal wastes, or landfills.

MCL 125.2683

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would likely have a minimal impact on State and local revenue. By expanding the types of activities that qualify a firm as a renewable energy facility, the bill could increase the level of activity within affected zones. The impact would depend on a number of factors, including where the additional activity would be located and the economic and tax characteristics of the facilities that would be developed.

The bill would reduce revenue to both the State and local units and would increase State expenditures from the General Fund. Most local property taxes abated in renaissance zones are not reimbursed by the State, reducing local unit revenue. However, the State's General Fund reimburses lost revenue to public libraries, intermediate school districts, local school districts, community colleges, and the School Aid Fund. Local school districts are able to levy 18 mills upon nonhomestead property, and the State education tax levies 6 mills on all property. Tax levies for the other reimbursed components can vary widely, although it is not uncommon for schools to levy an additional 6 to 12 mills in rural areas. If \$100 million of investments were eventually made in the zones as a result of the bill, the bill would increase General Fund expenditures by at least \$1.5 million per year, a portion of which would represent lost School Aid Fund revenue. Revenue losses, such as under the business taxes and individual income tax, are not reimbursed and are not included in this example; nor are local unit revenue losses that would not be reimbursed.

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Fiscal Analyst: David Zin