Legislative Analysis

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PA 198 AMENDMENTS

Senate Bill 500 (Substitute H-3)
Sponsor: Sen. Tony Stamas
House Committee: Commerce
Senate Committee: Economic Development and Regulatory Reform

Complete to 6-30-10

A SUMMARY OF SENATE BILL 500 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act (commonly referred to as PA 198). That act allows local units of government to grant industrial facility exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement on a facility (but not the land) for up to 12 years to an industrial facility, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. For a rehabilitated facility, the tax is based on the value of property prior to renovation. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly.

<u>Senate Bill 500</u> would amend PA 198 in the following ways:

** It would allow a PA 198 exemption certificate that had been revoked to be reinstated and transferred to a subsequent owner (a new owner) of the industrial facility. This would require the approval of the local governmental unit. Currently, a certificate that has been revoked can be reinstated to the business that previously held it, but the act does not provide for a revoked permit to be reinstated for a new owner.

(This provision is said to be needed in order to provide a PA 198 exemption as an incentive for an industrial facility in Auburn Hills, where a new owner proposes to take over a moribund facility and operate a new automobile-related manufacturing operation.)

** It would allow a PA 198 exemption certificate to be granted to one existing building under special circumstances. The act applies now only to new, speculative, and replacement facilities. The bill would allow an exemption for an existing building on an improved parcel of industrial property used for the manufacturing of goods or materials or processing of goods or materials. Such a building would be presumed to have been constructed within nine years of the filing of the application for the exemption and would have to meet the following criteria: (1) have been unoccupied for at least four years immediately preceding the date the certificate was issued; (2) is in an industrial development district created prior to January 1, 2011; and (3) is located in a county with a population of more than 22,000 and less than 24,500 that contains a city with a population of more than 3,600, according to the most recent decennial census. In this case, the existing building would be classified as a kind of "speculative" building.

(This provision is said to, in essence, create a pilot program for providing a PA 198 exemption as an economic development incentive for an existing facility. It is said to apply to a project in Otsego County.)

FISCAL IMPACT:

The bill would allow for reductions in property taxes in two instances. The fiscal impact would depend on the specific characteristics of those properties. Any reduction in local and state school property taxes increases School Aid Fund expenditures (to make up lost local revenue).

POSITIONS:

The Department of Treasury testified in support of the bill. (6-30-10)

Representatives of Auburn Hills and Oakland County indicated support for the bill. (6-30-10)

The Michigan Municipal League indicated support for the bill. (6-30-10)

The Michigan Economic Development Corporation (MEDC) indicated support for the bill. (6-30-10)

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