

Legislative Analysis



RENEWABLE ENERGY RENAISSANCE ZONES

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House Bill 5555 as enrolled

Public Act 64 of 2010

Sponsor: Rep. Ed Clemente

House Committee: New Economy and Quality of Life

Senate Committee: Commerce and Tourism

Complete to 9-7-10

A SUMMARY OF HOUSE BILL 5555 AS ENROLLED

The Michigan Renaissance Zone Act allows for the designation of up to 15 renaissance zones specifically for **renewable energy facilities**. House Bill 5555 amended the definition of "renewable energy facility" in the act so as to include:

**** A facility that focus on the research, development, or manufacturing of systems or components of systems involving *the conversion of chemical energy for advance battery technology*.**

**** (1) A facility that creates chemicals directly 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; (2) a facility that creates chemicals from solid biomass, animal wastes, or landfill gases; and (3) a facility that focuses on research, development, or manufacturing of systems or components of systems used to create chemicals from the items described.**

(The current definition refers to a facility that creates energy or fuel from such resources; the bill would add "chemicals.")

Renewable energy zones are designated by the State Administrative Board upon the recommendation of the board of the Strategic Fund and, in some cases, also on the recommendation of the Department of Agriculture (where crops or processed materials from crops are the primary raw material source). The consent of local units within whose boundaries a zone is located is also required.

BACKGROUND INFORMATION:

- Legislation enacted in 2006 amended the Michigan Renaissance Zone Act to allow for the designation of up to 10 additional renaissance zones specifically for renewable energy facilities. This was expanded to 15 facilities in 2008. At least five of the renewable energy facilities must focus primarily on the production of cellulosic biofuels. When designating a renaissance zone for a renewable energy facility, the State Administrative Board must consider: (1) the economic impact on local

suppliers who supply raw materials, goods, and services to the facility; (2) the creation of jobs "relative to the employment base of the community rather than the static number of jobs created"; (3) the viability of the project; (4) the economic impact on the community where the facility is located; and (5) whether the facility could be located in an existing renaissance zone instead. Preference is to be given, "other things being equal," to a business entity already located in the state.

- The current definition of "renewable energy facility" is as follows:

A facility that creates energy directly or fuel from the wind, the 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. Renewable energy facility also includes a facility that creates energy or fuels from solid biomass, animal wastes, or landfill gases. Renewable energy facility also includes 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].

- The bill is said to apply to two firms: (1) an advanced battery technology manufacturing plant to be operated in Holland, Michigan, by a U.S. subsidiary of a Korean manufacturer, LG Chem, which supplies batteries to automakers General Motors and Hyundai-Kia; and (2) to a former biodiesel producer in Adrian (NextDiesel) to allow it to develop chemical products as an alternative to producing biodiesel fuel and still maintain its renaissance zone status.

FISCAL IMPACT:

Renaissance zones are typically described as granting virtually tax-free status to the businesses or residents in them. Businesses in renaissance zones are exempt from the Michigan business tax (MBT), the six-mill state education tax, local real and personal property taxes, specific taxes levied in lieu of property taxes, and (in Detroit) the utility users tax, as well as state and city income taxes.

Renaissance zones reduce state and local unit tax revenue. In addition, the state is obligated to reimburse local school districts, intermediate school districts, community colleges, and public libraries for all tax revenue lost as a result of the exemption of property under the bill.

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