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Senate Bill 697 (as introduced 7-15-09)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

Date Completed: 1-19-10

CONTENT

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

- Reduce the initial capital investment cap for certain renaissance zones for agricultural processing facilities.**
- Exclude a tool and die renaissance recovery zone with a duration of less than 15 years from a requirement that a taxpayer's tax break to be reduced during the final three years of eligibility.**

(Renaissance zones are geographic areas that are virtually tax-free for any business or resident located in or moving into one of the zones. Businesses and residents located in renaissance zones receive abatements from income, business, and property taxes in the form of exemptions, deductions, or credits. Renaissance zones may be designated for up to 15 years.)

Agricultural Processing Facility: Initial Investment

The Act allows the State Administrative Board, upon the recommendation of both the Michigan Strategic Fund (MSF) board and the Agriculture Commission, to designate up to 30 renaissance zones for agricultural processing facilities. The Board must designate at least three of those zones for facilities that have an initial capital investment of less than \$7.0 million. The bill would reduce that figure to \$6.5 million.

Tool & Die Recovery Zone: Tax-Break Phase Out

In addition to other types of renaissance zones, the Act allows the MSF board to designate up to 35 tool and die renaissance recovery zones, in which a tool and die company is exempt from various taxes for up to 15 years.

Under the Act, during the last three years that a taxpayer is eligible for a renaissance zone tax-break, the exemption, deduction, or credit must be reduced by 25% for the tax year that is two years before the final year of designation as a renaissance zone, by 50% for the tax year immediately preceding the final year of designation, and by 75% for the final year of designation.

The bill would exclude tool and die renaissance recovery zones with a duration of less than 15 years from the three-year phase-out of the renaissance zone tax breaks.

FISCAL IMPACT

The bill would reduce State and local tax revenue and would increase School Aid Fund expenditures by an unknown amount. The actual amount would depend upon the specific characteristics of the property affected by the bill and the amount of property included in the additional renaissance zones. Under current law, property inside a renaissance zone is exempt from local property taxes and the State Education Tax, and individuals and businesses that reside in the zone are exempt from the Michigan Business Tax and individual income taxes. Current law also requires the State to reimburse many of the property taxes lost as a result of any exemptions under the Act, including revenue to intermediate school districts, local school districts, community colleges, public libraries, and the School Aid Fund.

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