# Legislative Analysis

Mary Ann Cleary, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

**PA 198 ABATEMENT EXCEPTION**

**Senate Bill 1148 (Substitute H-1)**
**Sponsor: Sen. Bruce Caswell**
**House Committee: Tax Policy**
**Senate Committee: Finance**

***(Enacted as Public Act 490 of 2012)***

**Complete to 12-3-12**

**A SUMMARY OF SENATE BILL 1148 AS REPORTED FROM HOUSE COMMITTEE**

The Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, allows local units of government to grant tax abatements to certain industrial properties. The act contains the process and timeline to be followed and the requirements that must be met for a certificate to be granted.

However, the act also contains a number of provisions to allow abatements to be granted when certain procedural requirement were not met. Senate Bill 1148 would be an addition to those exceptions, and would allow the granting of an abatement where, inadvertently, certain required deadlines were not met.

According to committee testimony, the bill would apply to a case in Quincy in Branch County.

Specifically, the bill would amend the Plant Rehabilitation and Industrial Development District Act (known as PA 198) to require the State Tax Commission to issue an industrial facilities exemption certificate if a local governmental unit in September or October 2011 had passed a resolution approving the certificate for 12 years for personal property, but the commission did not receive the application until November 2011 and approved it in May 2012. The certificate would begin on December 31, 2011, and end on December 30, 2023. The facility would be taxed under the act as if it had been granted an exemption certificate on December 31, 2011.

[PA 198 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. The State Treasurer can also allow the abatement of the State Education Tax.]

MCL 207.559

**FISCAL IMPACT:**

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

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.