

Legislative Analysis



PA 198 ABATEMENT EXCEPTIONS

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House Bill 4540 as enacted
Public Act 85 of 2013
Sponsor: Rep. Jim Stamas
Committee: Tax Policy

Complete to 1-17-14

A SUMMARY OF HOUSE BILL 4540 AS ENACTED

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 that allow abatements to be granted when certain procedural requirements have not been met. House Bill 4540 would add several new cases to those exceptions (at MCL 207.556 & 557).

Specifically, the bill would amend PA 198 to do the following:

- Require the State Tax Commission to issue an industrial facilities exemption certificate to a business if a local governmental unit, on July 23, 2012, passed a resolution approving an exemptions certificate for a new facility but the application was not made complete until 2013. In that case the STC would issue a certificate that begins on December 31, 2012, and ends December 31, 2024.
- Allow the State Tax Commission to issue an exemption certificate with an effective date of December 31 of the immediately preceding year in a case where the STC received an application for a certificate for a new or replacement facility and the application was made complete before October 31 following the year in which the application was received by the STC.
- Require the State Tax Commission to issue an exemption certificate that begins December 31, 2012, if a local governmental unit had passed a resolution approving a certificate for a new facility on February 21, 2012, but the application was not made complete until 2013.
- Allow an applicant for an exemption certificate to submit an amended application correcting an error or mistake if that error or mistake was discovered after the local unit of government had passed a resolution approving the application or was discovered after the State Tax Commission had issued a certificate for the application. The local unit and STC could approve or deny the amended application. If the STC had previously issued a certificate for the original application and then approved an amended application, the commission would be

required to issue an amended certificate with the same effective date as the original certificate.

- Specify that if an application had been approved by the unit's legislative body before October 31 but the clerk of the qualified local governmental unit failed to forward the application to the STC before October 31 but did file the application before October 31 of the immediately succeeding year, and the STC approved the application, then the certificate would be considered issued on December 31 of the year in which the local unit approved the application.

The bill would also require the State Tax Commission, beginning October 1, 2013, to do all of the following for each industrial facilities exemption certificate approved or disapproved:

- Notify the office of the member of the state House of Representatives and the office of the senator who represented the geographic area where the property was located that an application has been approved or disapproved.
- Publish on its website a copy of the certificate if approved, or a copy of the denial notice if disapproved, and whatever additional information the commission considered appropriate regarding the application.

BACKGROUND INFORMATION:

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.

The bill was supported in committee by the Department of Treasury and by the CEO of RC Productions, Source One Digital.

FISCAL IMPACT:

The bill would allow for reductions 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.

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■ 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.