Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 536 (Substitute S-3 as reported by the Committee of the Whole)
Sponsor: Senator John Proos
Committee: Finance

CONTENT

The bill would amend the General Property Tax Act to allow a local tax collecting unit to exempt from the collection of taxes under the Act, for five to seven years, specific property of an eligible economic development group, which would be a charitable nonprofit organization whose primary purpose was the economic development of real property or combining parcels of real property for economic development purposes, if the State Treasurer approved the exemption.

Specifically, the governing body of a local tax collecting unit could adopt a resolution to exempt from the collection of taxes under the Act specifically identified real and personal property owned by an eligible economic development group. Before acting on the resolution, the clerk of the local tax collecting unit would have to give written notice to its assessor and the legislative body of each taxing unit that levied ad valorem property taxes in that local tax collecting unit. The governing body would have to give the assessor and a representative of the affected taxing units an opportunity for a hearing. A copy of the resolution would have to be filed with the State Tax Commission, the State Treasurer, and all affected taxing units.

Within 60 days after receiving a copy of the resolution, the State Tax Commission would have to determine whether the property subject to the exemption was owned by an eligible economic development group. If the Commission determined that it was, the State Treasurer would have to approve the resolution, if he or she determined that exempting the property was necessary to reduce unemployment, promote economic growth, and increase capital investment in the State. The resolution would not be effective unless approved.

Subject to a provision allowing a county to opt out of an exemption, the approved exemption would take effect on December 31 after the resolution was adopted and would continue for five years, but could be extended by the local unit for an additional two years.

Within 45 days after the State Treasurer approved the resolution, the county where the local tax collecting unit was located could elect to withdraw all mills levied by that county from the exemption. If the county did so, the local tax collecting unit would have to levy and collect all mills levied by that county on the real and personal property owned by an eligible economic development group identified in the resolution.

The State Tax Commission would have to report annually to the Senate and House of Representatives the total number of eligible economic development groups that were receiving an exemption under the bill, where the property was located, and the total dollar amount of the tax revenue foregone as a result of the exemptions.

Proposed MCL 211.7tt Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce local property tax revenue by an unknown and, for specific local units, potentially significant amount that would depend on the specific characteristics of affected property. The bill would place no requirements or qualifications on eligible taxpayers beyond being approved charitable nonprofit organizations with the primary purpose of redeveloping real property or combining parcels for redevelopment. The bill also would not limit the number of such approved organizations or the value of property, either per approved organization or in aggregate, that could be exempted.

In addition, the bill does not specify any criteria property would have to meet in order to be included in a resolution or any thresholds that would have to be met for the State Treasurer's approval, except that the exemption would be necessary to accomplish certain economic development goals.

The exemption would affect all levies assessed against affected property, not just taxes levied by the tax collecting unit approving the resolution. As a result, if a township or city approved a resolution, the exemption would affect not only taxes levied by the township or city, but also county taxes, taxes levied by authorities such as park, transportation, and library authorities, the State Education Tax, school operating and debt mills, and any other levy collected under the General Property Tax Act. However, the bill would require that local units levying taxes on any affected property be notified of the hearing to approve the resolution. The bill also would allow county governments to adopt a resolution opting out of the exemption.

Because the bill would reduce revenue from local school operating mills, it also would require School Aid Fund expenditures to increase by an unknown amount if per-pupil funding guarantees were to be maintained.

Date Completed: 12-10-13 Fiscal Analyst: David Zin