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Senate Bill 852 (as introduced 3-6-14)
Sponsor: Senator Bert Johnson
Committee: Economic Development

(enacted version)

Date Completed: 9-24-14

CONTENT

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 in a particular situation involving a certificate that had been approved in August 2011 by a local unit for which an emergency manager was appointed.

Under the Act, local units of government may approve applications for industrial facilities exemption certificates for new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. An approved application is forwarded to the State Tax Commission, which issues an exemption certificate if the facility conforms with the Act. A certificate essentially grants a property tax abatement to a facility, which then is subject to an industrial facilities tax that is lower than standard property taxes. Subject to a number of exceptions, a certificate may not be granted unless the applicant complies with various criteria, which generally relate to the timing of the construction in relation to the application for a certificate or the establishment of a district.

The bill would require the State Tax Commission, notwithstanding any other provision of the Act, to issue an industrial facilities exemption certificate if a local governmental unit on August 23, 2011, passed a resolution approving the certificate for 12 years for real property and the emergency manager subsequently appointed for that local community issued an order approving the exemption certificate on November 8, 2013, but the Commission did not receive the application until November 27, 2013. The certificate would begin on December 31, 2011, and end on December 30, 2023. The real property component of the facility would have to be taxed under the Act as if it had been granted an exemption certificate on December 31, 2011.

MCL 207.559

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce local unit revenue and increase School Aid Fund expenditures; depending on the actions of the State Treasurer, the bill also could reduce State School Aid Fund revenue. The amount of the revenue loss would depend on whether the exemption certificate was granted for a new facility or a replacement facility. Assuming the certificate was for a new facility (because the affected taxpayer is a recycling firm in Hamtramck operating on brownfield property), the certificate would reduce most mills levied on the property by 50%. Based on tax year 2013 data, this reduction would total approximately 40.44 mills per year, and lower local unit revenue by approximately \$32,600 per year. Among the local mills affected are school operating mills, school recreation mills, city mills, county

mills, community college mills, library mills, and mills for the Detroit Zoo and the Detroit Institute of Arts.

Reductions in school operating mills would require increased School Aid Fund expenditures if the State maintained per-pupil funding guarantees. Based on the 2013 data, School Aid Fund expenditures would need to increase by approximately \$8,700 per year. In addition, if the exemption certificate were granted, the State Treasurer also would be authorized to abate 0, 3, or 6 mills of the State Education Tax on the property. If the State Treasurer also abated 3 mills of the State Education Tax, the bill would lower State School Aid Fund revenue by approximately \$2,904 per year, while if all 6 mills were abated, School Aid Fund revenue would be reduced by approximately \$5,800 per year.

Because the exemption certificate would be effective December 31, 2011, in the first year of the bill, local unit revenue would be reduced by two years of revenue. The revenue loss under the bill would continue through tax year 2023.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.