

REVOCATION OF TAX EXEMPTIONS

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House Bill 4580 as enacted
Public Act 329 of 2016
Sponsor: Rep. Andy Schor
House Committee: Tax Policy
Senate Committee: Finance
Complete to 3-27-19

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4580 amends Section 9f of the General Property Tax Act to provide for the revocation of certain personal property tax exemptions in two additional circumstances, described below.

Section 9f allows for the exemption of new personal property in some cases in order to reduce unemployment, promote economic growth, and increase capital investment. These exemptions are granted by local units for certain kinds of eligible parcels of property, with the involvement of the State Tax Commission and approval from the State Treasurer and the president of the Michigan Strategic Fund. Exemptions can also be granted by the board of a Next Michigan Development Corporation. This bill addresses circumstances under which such exemptions can be revoked.

General Provisions

Under the bill, after December 31, 2016, a governing body of an eligible local assessing district may not adopt a resolution exempting new personal property without entering into a written agreement with the business receiving the exemption. The written agreement must contain a remedy provision that includes at least the following requirements:

- That the exemption is revoked if the eligible business is determined to be in violation of the provisions of the written agreement.
- That the eligible business may be required to repay all or part of the exempted personal property taxes if the eligible business is determined to be in violation of the written agreement.
- That the exemption is revoked if the eligible business is determined to be in violation of the provisions of the resolution adopted by the local unit.
- That the exemption is revoked if continuance of the exemption would be contrary to any requirements under Section 9f of the General Property Tax Act, including the requirement that the holder of the exemption be an eligible business or an acquiring eligible business.

An “eligible business” is defined as a business engaged primarily in manufacturing, mining, research and development, wholesale trade, office operations, or the operation of a facility in certain designated areas. An “acquiring eligible business” is defined as an eligible business that purchases or leases assets of an existing eligible business and conducts business operations similar to the existing eligible business at the same location.

Next Michigan Businesses

Also under the bill, a written agreement entered into after December 31, 2016, between a Next Michigan Development Corporation and an eligible Next Michigan business as a requirement for a resolution granting personal property tax exemptions must contain the following requirements:

- That the personal property tax exemption is revoked if the eligible Next Michigan business is in violation of provisions in the resolution granting the exemption.
- That the personal property tax exemption is revoked if continuance of the exemption would be contrary to any requirements under Section 9f of the General Property Tax Act, including the requirement that the eligible Next Michigan business be an eligible business or acquiring eligible business.

The term “eligible Next Michigan business” is found in the Michigan Economic Growth Authority Act and refers to a business engaged in the shipment of tangible personal property via multimodal commerce; a supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory, via multimodal commerce; a manufacturing or assembly facility receiving a majority of its production components via multimodal commerce; a manufacturing or assembly facility shipping a majority of products via multimodal commerce; or a light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships those products via multimodal commerce.

BACKGROUND:

Next Michigan Development Corporations, created as part of the “Aerotropolis” legislation of 2010, have as their purpose encouraging economic development and investment, job creation and job retention, and ancillary economic growth. As of March 2019, there are seven Next Michigan Development Corporations:

- The VantagePort (Wayne and Washtenaw Counties and seven local communities surrounding Detroit Metropolitan/Wayne County and Willow Run Airports).
- The I-69 International Trade Corridor (St. Clair, Lapeer, Genesee, and Shiawassee Counties).
- The Northern Nexus (Grand Traverse County, City of Traverse City, Garfield Charter Township, East Bay Charter Township, and Blair Township).
- The West Michigan Economic Partnership (Kent and Muskegon Counties, the Cities of Grand Rapids, Kentwood, Muskegon, and Wyoming, and Cascade Charter Township).
- Port Lansing (City of Lansing and DeWitt Charter Township).
- The Superior Trade Zone (Delta and Marquette Counties and 14 communities surrounding the Delta County Airport and the former Air Force base in Marquette County).
- Detroit (City of Detroit)

FISCAL IMPACT:

As written, the bill would increase local unit revenues by a small indeterminate amount based on the number of personal property exemptions revoked. In addition, the bill would increase state School Aid Fund revenues by a small indeterminate amount through the 6-mill State Education Tax on personal property if any exemptions were revoked.

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