

Legislative Analysis



ENHANCED ABATEMENT PROGRAM FOR FACILITIES UNDER THE PLANT REHABILITATION AND INDUSTRIAL DEVELOPMENT DISTRICTS ACT

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House Bill 5769 as introduced
Sponsor: Rep. Pauline Wendzel
Committee: Local Government and Municipal Finance
Complete to 6-8-22

SUMMARY:

House Bill 5769 would amend 1974 PA 198, the plant rehabilitation and industrial development districts act, to change the requirements for an industrial facilities exemption certificate. The bill would also authorize local legislatures to grant enhanced abatements that would further reduce the tax owed on an industrial facility or extend the length of an industrial facilities exemption certificate.

The act, commonly referred to as PA 198, allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and to replacement facilities located in a plant rehabilitation or industrial development district. The certificate, generally speaking, grants a property tax abatement on a facility (but not the land) for up to 12 years by allowing a firm to pay a lower “specific” tax instead of regular property taxes. For a new facility, the specific tax is roughly one-half of the standard property tax. 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. A new certificate cannot be approved and issued unless the local government and certificate applicant enter into a written agreement that is filed with the Department of Treasury. The certificate is generally valid for up to 12 years after the facility’s construction or renovation is complete.

The bill would allow facility owners to apply to receive an enhanced abatement, which would do one or both of the following:

- Exclude some or all mills included in the industrial facility tax calculation, as long as the tax remains above \$0.00.
- Allow the exemption certificate to remain in effect for up to 25 years after the facility is completed, rather than 12 years.

To be eligible for the enhanced abatement, applications would have to specify the proposed tax reduction or the proposed period for the exemption certificate to remain in place, or both. Additionally, applications would have to state the benefits that an enhanced abatement for a particular facility would provide in reducing unemployment, promoting economic growth, and increasing investment in the local government. An applicant would have to provide an estimate of the number of people expected to be employed as a result of receiving an enhanced abatement. Local governments could add other requirements for a facility to receive an enhanced abatement in the written agreement between the local government and the certificate applicant, and local legislative bodies could request the State Tax Commission to revoke an

exemption certificate if the certificate holder fails to meet these requirements or if the purposes for which the enhanced abatement was issued are not being fulfilled due to bad faith.

If an exemption certificate expires more than 10 years after the facility's construction is finished and the facility is still receiving an enhanced abatement, the bill would require the local governmental unit to hold a public hearing after the tenth year that the property receives the abatement to ensure that the facility has remained in compliance with the written agreement.

MCL 207.555 et seq.

FISCAL IMPACT:

The bill would reduce local revenue in those local units that choose to provide an enhanced abatement under the provisions of the bill when compared to current law allowances under the industrial facilities exemption. Generally speaking, the enhanced abatement under the bill would authorize an industrial facilities exemption certificate for a period of up to 25 years (currently 12) and provide the ability to exclude additional mills currently included in the specific tax calculation.

Any fiscal impact would depend on whether the project would have occurred without the property tax incentive. The bill would reduce revenues relative to current law if it were determined that the project would have occurred even if no enhanced abatement existed. The magnitude of the reduction in revenues would be directly related to the quantity and value of eligible properties. In the alternative, if the project would not have been undertaken but for the enhanced abatement, then it could be argued that the incentive would not affect, or would even increase, property tax revenues.

While the bill would create additional administrative costs for local units of government choosing to authorize an enhanced abatement, it is assumed that any marginal costs would be covered under current operations. The provisions of the bill are discretionary and would not mandate an action on the part of the local unit of government.

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