



Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

PA 198 EXCEPTIONS

Senate Bill 521 (Substitute H-1) First Analysis (7-3-97)

Sponsor: Sen. John J.H.Schwarz, M.D.
**Senate Committee: Economic
Development, International Trade and
Regulatory Affairs**
House Committee: Urban Policy

THE APPARENT PROBLEM:

The plant rehabilitation and industrial development act (Public Act 198 of 1974) allows local units of government to grant industrial facilities exemption certificates to new facilities, replacement facilities, and speculative buildings. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a lower specific tax instead of regular property taxes. The act contains the process that must be followed and sets forth the requirements that must be met for a certificate to be awarded. Approval is required first by the local unit of government, which must forward an approved application to the state. Approval is then required by the State Tax Commission, which must check to see if the law has been followed properly. The act requires, among other things, that the commencement of the restoration, replacement, or construction of the facility occur not earlier than six months before the filing of the application for the exemption certificate with the local unit. It also requires that a facility be located in a plant rehabilitation district or industrial development district that had been established before work on the facility began. There are separate requirements for exemptions for speculative buildings (including that they must be in an existing district and not have been occupied prior to the application for an exemption). Numerous exceptions have been written into the statute in the past to cover cases where all parties were agreeable to the granting of an exemption but through errors, omissions, or misunderstandings the technical requirements of the law were not met. Two new such cases have arisen, in Springfield and in Eaton Rapids.

THE CONTENT OF THE BILL:

The bill would amend the Plant Rehabilitation and Industrial Developments Districts Act to make two exceptions to the act's requirements. The bill would apply to:

-- a facility for which an industrial facilities exemption certificate was filed in October 1996, if the application as approved by the local governmental unit in October 1996 and the application was denied by the State Tax Commission in December 1996. (Such a facility would be exempt from two requirements: that the facility be located in a district established before work began on the facility and that the application be filed within 6 months after the work on the facility began.)

-- a speculative building that a local unit had designated by resolution and that an exemption certificate had been approved for in June 1997, if the speculative building was located in an industrial development district created in January 1996, and if that speculative building was occupied in November 1995. (Such a facility would be exempt from the set of provisions dealing with speculative buildings.) In this case, the bill would require the State Tax Commission to issue an exemption certificate that begins December 30, 1996 and ends December 30, 2006.

MCL 207.559

HOUSE COMMITTEE ACTION:

The House Committee on Urban Policy made one change to the Senate-passed bill: the amendment moved the language regarding the first of the exemptions from Section 9(2)(j) and placed it instead under Section 9(2)(l). This would make the exception apply to both the creation of a district and the application filing deadline rather than to only the application deadline.

FISCAL IMPLICATIONS:

The Senate Fiscal Agency has noted that the bill would reduce revenues at the local level if the local units in question are currently collecting property taxes from the businesses in question. (SFA analysis dated 6-12-97)

Senate Bill 521 (7-3-97)

ARGUMENTS:

For:

The bill would allow an industrial property tax abatements in two Michigan communities, Eaton Rapids and Springfield, to be validated as exceptions to the technical requirements of Public Act 198. There are a number of precedents for this. The legislature has on numerous occasions provided this kind of exception in cases where the spirit of the abatement law has been met but certain technical requirements have not been met.

Against:

While it is true that these sort of exceptions have become common practice, it remains the case that the statute contains a specific process and specific deadlines, and it should not too be much to ask for affected companies and local units of government to follow the law when seeking and granting property tax exemptions.

Response:

Perhaps, instead, there is a need to clarify the act so that it will be easier for local governments to apply and so that there will be fewer errors.

POSITIONS:

There are no positions at present.

Analyst: C. Couch

■ 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.