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CASINOS IN RENAISSANCE ZONES: NO TAX BREAKS

**Senate Bills 583, 586, 587, 590 and 591
as passed by the Senate
First Analysis (4-21-98)**

**Sponsor: Sen. Michael J. Bouchard
Committee: House Oversight and Ethics**

THE APPARENT PROBLEM:

The Michigan Renaissance Zone Act, Public Act 376 of 1996, proposes tax breaks to encourage economic activity in certain designated economically depressed urban and rural areas of the state. Until December 31, 1996, up to nine zones could be designated, with not more than six in urban areas and not more than four in rural areas. Under the act, business and individuals in renaissance zones are eligible for reductions for up to 15 years in business, income, and property taxes. The Michigan Renaissance Zone Act lists twelve laws under which tax breaks can be given: the Single Business Tax Act, the Income Tax Act of 1967, the City Income Tax Act, the City Utility Users Tax Act, the General Property Tax Act, the plant rehabilitation and industrial development district act (Public Act 198 of 1974), the Commercial Redevelopment Act, the Enterprise Zone Act, Public Act 189 of 1953 (which deals with lessees and users of tax exempt property), the Technology Park Development Act, the commercial forests part of the Natural Resources and Environmental Protection Act, and the Neighborhood Enterprise Zone Act.

Public Acts 441 and 469 of 1996 amended the Single Business Tax Act and the General Property Tax Act, respectively, to exempt casinos from eligibility for single business and property tax breaks under the Michigan Renaissance Zone Act. Legislation has been introduced to further exclude casinos in renaissance zones from eligibility for tax breaks.

THE CONTENT OF THE BILLS:

Senate Bill 583 would amend the Michigan Renaissance Zone Act (MCL 125.2690) to make a Detroit casino regulated under the Michigan Gaming Control and Revenue Act (the Initiated Law of 1996) -- as well as the real property on which it was operated and all property associated or affiliated with

the operation of the casino -- ineligible for the act's exemption, deductions, or credits. (As used in the bill, "casino" would mean not only a casino but also a parking lot, hotel, motel, or retail store owned or operated by a casino, an affiliate, or an affiliated company.)

The other bills in the package would exclude casinos from renaissance zone tax breaks under the City Utility Users Tax Act (Senate Bill 586, MCL 141.1155), the Enterprise Zone Act (Senate Bill 587, MCL 125.2121c), the Commercial Redevelopment Act (Senate Bill 590, MCL 207.662), and Public Act 189 of 1953 (Senate Bill 591, MCL 211.181).

BACKGROUND INFORMATION:

Designated renaissance zones. A special review board, made up of the director of the Department of Management and Budget, the chief executive officer of the Michigan Jobs Commission, and the state treasurer, was charged with reviewing applications from local governmental units seeking to establish renaissance zones and making recommendations to the State Administrative Board, which designated nine zones (out of 20 applications) on December 16, 1997. Six urban areas were designated: Detroit, Grand Rapids, Flint, Lansing, Saginaw, and Benton Harbor/St. Joseph/Benton Township. (Battle Creek and Ypsilanti applied for designation as urban renaissance zones, but were not chosen.) Three rural areas were designated: Gogebic/Ontonagon/Houghton Counties in the Upper Peninsula, and Manistee County and Montcalm/Gratiot Counties in the Lower Peninsula. (Bangor, Fairfield Township, Grand Traverse County, Hartford, Lake County, and Missaukee County also applied unsuccessfully for designation as rural renaissance zones.) In addition, two former military installations were selected, the

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Warren tank plant in Macomb County and the Wurtsmith Air Force Base in Oscoda County.

There are no positions on the bill.

Other legislation. In addition to the bills reported by the House Oversight and Ethics Committee, the Senate also passed Senate Bills 584, 585, 588 and 589, which would make casinos ineligible for renaissance zone tax breaks under the Income Tax Act of 1967 (SB 584), the Neighborhood Enterprise Zone Act (SB 585), the Technology Park Development Act (SB 588), and the plant rehabilitation and industrial development district act (Public Act 198 of 1974).

FISCAL IMPLICATIONS:

According to the House Fiscal Agency, since currently there are no casinos in Detroit, there are no casino revenues that would be affected by the bills. (4-20-98) And as the Senate Fiscal Agency notes, Senate Bills 583, 587, 590, and 591 would have no fiscal impact on state or local government, while data do not exist on Senate Bill 586 to provide an estimate of fiscal impact. (6-9-97)

ARGUMENTS:

For:

Because the Michigan Renaissance Zone Act was intended to attract businesses to certain economically depressed areas of the state, the Detroit casinos -- which were authorized under the Initiated Law of 1996, the Michigan Gaming and Revenue Control Act -- should not be eligible for these tax breaks even if they are located in one of Detroit's six renaissance zone "subzones." Far from having trouble attracting casino businesses, Detroit has experienced highly publicized competition for the three casino opportunities made available under the Initiated Law of 1996. Consequently, there is no need to solicit casino businesses by granting them tax breaks under the renaissance zone act. Moreover, some people argue that casinos make such huge profits that they, unlike other legitimate businesses, should not be given tax breaks anyway.

Against:

Although Senate Bill 583 would make casinos ineligible for exemptions, deductions, or credits under the tax laws listed in the Michigan Renaissance Zone Act, the current bill package amends only four of these twelve tax laws. Presumably, if casinos are intended to be exempted from tax breaks under these acts, then the tax acts also should be amended in addition to amending the renaissance zone act.

POSITIONS:

Analyst: S. Ekstrom

■ 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.