



House
Legislative
Analysis
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P.A. PROCESS EXEMPTION

House Bill 4898 as introduced First Analysis (6-24-96)

Sponsor: Rep. Paul Baade
**Committee: Urban Policy and Economic
Development**

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 and speculative buildings and to replacement facilities. 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. 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 or misunderstandings the technical requirements of the law were not met. Another such case has recently come to light, involving Krause Welding, Inc. of Egelston township in Muskegon County.

THE CONTENT OF THE BILL:

House Bill 4898 would amend the plant rehabilitation and industrial development act (Public Act 198 of 1974) to make an exception to the act's requirement 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. It would specify that for applications filed between September 1, 1996 and October 31, 1996, the commencement of restoration or construction of the facility would only need to have occurred no earlier than seven months before the application had been filed.

MCL 207.559

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

The bill would allow an industrial property tax abatement in Muskegon County to be validated as an exception 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 there are reasons the statute contains a specific process and specific deadlines, and it should not too be much to ask for companies and local units of government to follow the law when seeking and granting property tax exemptions.

POSITIONS:

There are no positions on the bill.

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Analyst: W. Flory

■ 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.