

## AMEND RENAISSANCE ZONE ACT

### House Bill 5365 (Substitute H-1) First Analysis (2-5-98)

**Sponsor: Rep. Michael Hanley**  
**Committee: Urban Policy and Economic Development**

#### ***THE APPARENT PROBLEM:***

The Michigan Renaissance Zone Act provides for the designation of renaissance zones wherein businesses and residents will receive certain tax exemptions, deductions, or credits. The act specifies the circumstances under which a person or business is or may become eligible for these exemptions. One way a business may become eligible is by relocating its business or jobs into a renaissance zone.

If a business attempts to become eligible for the act's exemptions by moving more than 25 full-time equivalent jobs from a non-renaissance zone community to a renaissance zone community, the non-renaissance community has the right to object to the move and in doing so prevent the business from being eligible for the tax exemptions. In essence, the community, within 60 days of being notified of the businesses' decision to move, has the right to approve or disapprove of the business' decision. However, the act only allows non-renaissance zone communities to object to a business relocating jobs. If the community is a renaissance zone community, it has no authority to object to the loss of jobs.

It has been suggested that the act is unfair and should be amended to allow all communities the opportunity to object to the relocation of jobs from their community to a renaissance zone community.

#### ***THE CONTENT OF THE BILL:***

The bill would amend the Renaissance Zone Act to allow any community from which jobs are being relocated to object when a business relocates 25 or more full time equivalent jobs to a renaissance zone community. Currently, if the business is relocating from a community where a renaissance zone is located, the community does not have the opportunity to object to the relocation.

MCL 125.2690

#### ***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the bill could increase future state and local revenue by allowing more local governments to veto the relocation of businesses to tax-free zones, thus preventing those businesses from receiving zone-related tax advantages. (2-4-98)

#### ***ARGUMENTS:***

##### ***For:***

The bill corrects an unintended error in the language of the act. Although the purpose of the Renaissance Zone Act is to encourage growth in the areas targeted as renaissance zones, the act contains restrictions to ensure that growth in these renaissance zones does not occur at the expense of other Michigan communities. Unfortunately, under the current language of the act, a business that moves from a non-renaissance zone community to a renaissance zone community may be prevented from receiving the tax waivers granted under the act, while a business that relocates from one renaissance zone community to another does not risk losing the tax waivers provided under the act. The bill would prevent this inequity by allowing communities with renaissance zones the same right to object to the loss of jobs from their community as is currently granted to non-zone communities.

##### ***Against:***

Eliminating the exclusion preventing renaissance zone communities from objecting to business relocation will lower the degree of competition between the renaissance zone communities, by allowing these communities to simply block businesses from relocating.

#### ***POSITIONS:***

The Michigan Jobs Commission supports the bill. (2-4-98)

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.