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## PA 198 EXCEPTION

### House Bill 5863 as introduced First Analysis (6-4-98)

**Sponsor: Rep. Kirk A. Profit**  
**Committee: Tax 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 and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a specific tax instead of property taxes. The act contains the process that must be followed and the requirements that must be met for a certificate to be awarded. Approval is required at the local level and by the State Tax Commission. The act requires, among other things, 1) that the facility be located in a plant rehabilitation district or industrial development district duly established by the local governmental unit before the commencement of the restoration, replacement, or construction of the facility; and 2) that the commencement of the restoration, replacement, or construction of the facility occurred not earlier than six months before the filing of the application for the exemption certificate. 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 arisen, this one involving Exemplar Manufacturing in the city of Ypsilanti.

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

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act (commonly referred to as Public Act 198) to provide an exception from certain deadlines in the act for a facility located in an industrial development district that was established in March 1998 and owned by a person who filed an application for an industrial facilities exemption certificate in December 1997 for construction that was commenced in June 1997. The bill would permit such a facility to receive an exemption certificate.

MCL 207.559

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

Regarding similar bills in the past, fiscal experts have pointed out that there would be a loss of local revenue resulting from the tax abatement and that the state would have to make up any loss of local school operating revenue.

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

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

The bill would allow a property tax abatement to be awarded to a company located in the city of Ypsilanti despite the fact that certain deadlines were missed. There is ample precedent for this. The legislature has provided this kind of exception numerous times all over the state in cases where the spirit of the law has been met but certain technical requirements have not been met. Advocates of this abatement have said that this abatement was part of the incentive package promised to the company that contributed to its decision to expand its operations in Ypsilanti.

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

The governor has already vetoed several bills like this one in opposition to what he has described as "the growing trend to use legislation to circumvent well-established statutory deadlines for the industrial tax abatement program." In his veto message for House Bill 5963 dated 10-14-96, the governor said, "Industrial tax abatements are economic development tools which should be used to encourage new business investment in a specific area, not as a reward for investment which has already occurred." He has said that granting retroactive tax exemptions is not sound public policy. The deadlines in the act have been there for some time and it should not be too much to ask for local units and companies to meet them.

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***POSITIONS:***

The Michigan Jobs Commission has indicated its opposition to the bill. (6-3-98)

Analyst: C. Couch

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■ 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.