

Senate Fiscal Agency
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SFA



BILL ANALYSIS

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Senate Bill 521 (Substitute S-1 as passed by the Senate)
Sponsor: Senator John J.H. Schwarz, M.D.
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 6-12-97

RATIONALE

The Plant Rehabilitation and Industrial Developments Districts Act allows local units of government to grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. The certificate grants a property tax abatement to an industrial facility, which then pays a lower specific tax instead of regular property taxes. The Act specifies, among other things, that the commencement of restoration, replacement, or construction of the facility must occur not earlier than six months before the filing of the application for the exemption certificate with the local unit. Reportedly, a company in Eaton Rapids and one in Springfield were denied exemption certificates because of lateness in the application process. Some people believe the statutory requirements are unfair to the companies.

CONTENT

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act to specify that except as otherwise provided, if an industrial facilities exemption certificate were filed and the application were approved by the local governmental unit in October 1996, but the application were denied by the State Tax Commission in December 1996, then the commencement of the restoration, replacement, or construction of the facility would not have to have occurred six months before the filing of the application for the exemption certificate with the local unit.

Further, notwithstanding any other provision of the Act, if, in June 1997, a local governmental unit passed a resolution designating a speculative building and approving an industrial facilities exemption certificate, the State Tax Commission would have to issue the certificate for the speculative building from December 30, 1996, through December 30, 2006. The speculative

building would have to have been occupied in November 1995, and be located in an industrial development district created in January 1996.

MCL 207.559

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would provide an exemption to two industrial facilities unfairly denied a certificate based on a technicality. These facilities provide many jobs, and allowing them to obtain property tax exemptions would promote the business climate in their communities. Numerous revisions have been written into the statute in the past to cover cases that were denied exemptions through technicalities or misunderstandings.

Response: The situation is clearly not unique. There is a need to clarify the Plant Rehabilitation and Industrial Developments Districts Act in order for local governments to apply the provisions properly.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The fiscal impact for the local units involved, if they are presently collecting property taxes from the described businesses, would be a reduction in the local units' property tax collections.

Fiscal Analyst: R. Ross

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an

official statement of legislative intent.