

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 761 (as passed by the Senate)
Sponsor: Senator Glenn D. Steil
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 11-20-97

RATIONALE

Public Act 376 of 1996 created the Michigan Renaissance Zone Act to provide for the designation of a limited number of zones in which businesses and residents may receive certain tax exemptions and credits, for up to 15 years. The renaissance zones were designated in December 1996, and include a 536-acre zone in Grand Rapids. Among the businesses in the Grand Rapids zone is American Seating Company, a 110-year-old privately held enterprise that manufactures office and laboratory furniture, as well as stadium, arena, and transportation seating. American Seating decided in 1991 to modernize its facilities and update its equipment. In 1992, the company demolished approximately 500,000 square feet of manufacturing space and replaced it with modern facilities. American Seating has undertaken additional rehabilitation projects since 1992, and recently finalized plans to continue upgrading its facilities and equipment over the next few years. These plans involve moving the majority of the company's transit seating business into a newly built facility while additional construction takes place among the older structures. Apparently, however, when the Grand Rapids renaissance zone was drawn in 1996, it encompassed most of American Seating's "campus", but excluded the new facility. This evidently means that the planned move would eliminate a large portion of the company's projected tax saving under the Renaissance Zone Act, since the Act requires businesses to be located in a zone and conducting business activity there in order to receive the available tax exemptions and credits. It has been suggested that the statute should be amended to accommodate American Seating's situation.

provision of the Act, if a business that is located and conducts business activity within a renaissance zone were to relocate outside the zone, the business would receive the tax exemption, deduction, and credits for the property that was located in the zone and business activity that was performed in the zone, if all of the following were met:

- The business relocated to a parcel that was adjacent to and contiguous with the parcel in the renaissance zone on which the property was located, and both parcels were owned by the same person and had been owned by the same person on the date the renaissance zone was created.
- The property and business activity relocated outside the renaissance zone were located and conducted in the zone on the date it was designated under the Act.
- The reason for relocating the property and business activity outside the renaissance zone was to construct new facilities inside the zone.
- The business requested approval for the relocation from the local unit that created the renaissance zone and that approval was granted.
- The business submitted a development plan outlining its business plan for the use of the property within the zone and for the business activity and use of the property outside the zone that was to be relocated, and entered into an enforceable development agreement with the local unit regarding the implementation of that plan.

CONTENT

The bill would amend the Michigan Renaissance Zone Act to provide that, notwithstanding any other

Under the Act, a business within a renaissance zone may receive an exemption, deduction, or credit as provided under the following laws: the Single Business Tax Act, the Income Tax Act, the

City Income Tax Act, and the City Utility Users Tax Act. Property located in a renaissance zone is exempt from the collection of taxes under all of the following: the General Property Tax Act, the Plant Rehabilitation and Industrial Development Districts Act, the Commercial Redevelopment Act, the Enterprise Zone Act, Public Act 189 of 1953 (which provides for the taxation of lessees or users of tax-exempt property), the Technology Park Development Act, Section 51105 of the Natural Resources and Environmental Protection Act (which provides for an annual specific tax on commercial forests), and the Neighborhood Enterprise Zone Act.

and credits available under the Renaissance Zone Act.

Fiscal Analyst: R. Ross

Proposed MCL 125.2681a

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

American Seating occupies approximately 1.5 million square feet of office and manufacturing space on 37 acres, and employs approximately 800 people. In 1987, the company decided that it needed to modernize its aging facilities and update its equipment in order to maintain its market leadership. Although the company considered numerous options to relocate outstate, it choose to stay with its Grand Rapids heritage. Since 1992, the company has spent millions of dollars on demolition, building, and renovation, and now intends to spend millions more to upgrade its office facilities. Clearly, American Seating has made, and continues to make, a sizable contribution to economic development and employment within the Grand Rapids area. In order to carry out its remaining plans, however, the company will not receive a large portion of its projected tax saving under the Renaissance Zone Act, unless the statute is amended. In view of the company's investment in its community, American Seating should be allowed renaissance zone tax credits and exemptions, despite relocating personnel and equipment to a building outside the zone.

Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would reduce State tax collections and local tax collections by the amount that the business fitting the description would be allowed to continue receiving the tax exemption, deduction,

A9798\S761B

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.