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BILL ANALYSIS

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Senate Bill 825 (as enrolled)
Sponsor: Senator Jason E. Allen
Senate Committee: Commerce and Labor
House Committee: Commerce

PUBLIC ACT 266 of 2003

Date Completed: 7-14-04

CONTENT

The bill amended the Michigan Renaissance Zone Act to allow the Michigan Strategic Fund Board to designate up to 20 tool and die renaissance recovery zones in the State in one or more cities, villages, or townships if the local unit or a combination of local units consents to the creation of a recovery zone within its boundaries. A recovery zone will have a duration of renaissance zone status for up to 15 years, as determined by the Strategic Fund Board.

The Board may designate a recovery zone if it consists only of one or more parcels of property owned by one or more qualified tool and die businesses and used by them primarily for tool and die business operations.

The bill defines "qualified tool and die business" as a business entity that meets all of the following criteria:

- Has a North American Industrial Classification System (NAICS) classification of 333511, 333512, 333513, 333514, or 333515; or has a classification of 337215 and operates a facility within an existing renaissance zone, which facility is adjacent to real property not located in a renaissance zone and is located within one-quarter mile of a Michigan technical education center.
- Has entered into a qualified collaboration agreement as approved by the Michigan Strategic Fund with other business entities that have an NAICS classification of 333511, 333512, 333513, 333514, or 333515.

- Has fewer than 50 full-time employees.

The bill defines "qualified collaborative agreement" as an agreement that demonstrates synergistic opportunities, including all of the following:

- Sales and marketing efforts.
- Development of standardized processes.
- Development of tooling standards.
- Standardized project management methods.
- Improved ability for specialized or small niche shops to develop expertise and compete successfully on larger programs.

The NAICS classifications listed above pertain to the following:

- 333511: Industrial Mold Manufacturing.
- 333512: Machine Tool (Metal Cutting Types) Manufacturing.
- 333513: Machine Tool (Metal Forming Types) Manufacturing.
- 333514: Special Die and Tool, Die Set Jig, and Fixture Manufacturing.
- 333515: Cutting Tool and Machine Tool Accessory Manufacturing.
- 337215: Showcase, Partition, Shelving, and Locker Manufacturing.

MCL 125.2688

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Under existing law, businesses located in renaissance zones are exempt from State and local property taxes, State and local

income taxes, local utility taxes, and the State single business tax. Based on the provisions of this bill--which places no restrictions on the size of tool and die renaissance recovery zones, does not require that a zone be located in one contiguous area, and does not limit the number of tool and die businesses that may be included in a zone--it is assumed that all 20 zones will be created and that about 900 of the estimated 1,300 tool and die businesses with fewer than 50 employees will meet the qualifications for being in a zone, including the requirement to be in a "collaboration" agreement with other tool and die businesses, and will be approved by local governments to be included in a renaissance recovery zone. Based on these assumptions, it is estimated that for the first full year the bill is in effect, the bill will reduce the following taxes by the following amounts:

- Local property taxes by \$15 million.
- Local school 18-mill tax by \$10 million.
- State education property tax by \$3 million
- Community college property taxes by \$1 million.
- Local income tax revenue by \$1 million.
- Single business tax revenue by \$9 million.

In addition, School Aid Fund expenditures will increase by \$11 million because under existing law local schools and community colleges must be reimbursed for the property tax revenue they will lose as a result of these new renaissance zones.

In future years, both the revenue loss and the impact on the school aid fund will increase.

Fiscal Analyst: David Zin

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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.