

Legislative Analysis



EXPAND P.A. 198 ELIGIBILITY

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Senate Bill 1111

Sponsor: Sen. Cameron S. Brown

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Complete to 5-15-06

A SUMMARY OF SENATE BILL 1111 AS PASSED BY THE SENATE 4-20-06

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, to include certain commercial property in the definition of "industrial property," and thus make it eligible for a PA 198 property tax abatement.

Senate Bill 1111 would apply to property 1) that is used for warehousing, distribution, or logistic purposes or for a communication service center; and 2) occupies a building or structure greater than 100,000 square feet in size. Such property would be included in a new definition of the term "qualified commercial activity."

Currently, the act includes property engaged in "qualified commercial activity" within the definition of "industrial property." The current definition of "qualified commercial activity" applies very narrowly. It applies only to property meeting all of the following qualifications: 1) an exemption certificate was filed by a local unit with the State Tax Commission no later than April 30, 2006; 2) at least 90 percent of the property, excluding surrounding green space, is used for warehousing, distribution, or logistic purposes that provide food for institutional, restaurant, hospital, or hotel customers; 3) is located in a village within 15 miles of a Michigan state border; and 4) occupies one or buildings that are together greater than 300,000 square feet in size. This definition would be struck.

[PA 198 allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility by allowing a firm to pay a lower "specific" tax instead of regular property taxes. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly. The act contains the process to be followed and the requirements that must be met for a certificate to be granted.]

MCL 207.552

FISCAL IMPACT:

The bill would reduce state and local revenue by an unknown amount, depending on how many additional firms are eligible for tax abatements and how many local units decide to make them available.

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