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BILL ANALYSIS

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House Bill 4027 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative John Stewart
House Committee: Commerce
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the plant rehabilitation and industrial development Act, commonly known as "PA 198", to require the State Tax Commission to issue an industrial facilities exemption certificate for the period of December 30, 2002, to December 30, 2009, if a local governmental unit had passed a resolution approving an industrial facilities exemption certificate for a new facility on October 14, 2003, for a certificate that expired in December 2002.

The bill also would include in the Act's definition of "industrial property" land, buildings, and other property whose primary purpose and use are the operation of "qualified commercial activity". Qualified commercial activity would be commercial property that met all of the following:

-- An application for a PA 198 exemption certificate approved by the local governmental unit was filed for approval by the State Tax Commission by April 30, 2006.
-- At least 90% of the property, excluding the surrounding green space, was used for warehousing, distribution, and logistics to provide food for institutional, restaurant, hospital, or hotel customers.
-- It was located within a village and was within 15 miles of a Michigan border.
-- It occupied one or more buildings or structures that, together, were larger than 300,000 square feet.

MCL 207.552 & 207.557 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local unit revenue. Assuming the new certificate also would be for a new facility, the bill would reduce revenue from the property by 50%. The impact on the State education tax would depend whether 0, 3, or all 6 mills of the tax were abated under the certificate. Any reduction in local school district revenue for the 18 mills levied for operating purposes would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

According to data from the State Tax Commission, the property in question currently has a certificate effective from December 31, 2004, through December 30, 2011. The magnitude of the impact would depend upon the characteristics of the property, but based upon data from the township in which the property is located, the impact would be approximately $6,500 per year. Because the bill essentially addresses taxes that already have been paid, by covering the period between the certificate expiration in 2002 and the issuance of the certificate in 2004, the total impact of the bill would be approximately $13,000. Were the provisions for prospective tax years, approximately 13% of the impact would reduce revenue to the School Aid Fund if the full 6 mills were included in the certificate, while roughly 40% would represent a loss of operating mills to the school district and would be offset by increased spending from the School Aid Fund. The remaining impact would affect other local units of government. However, because the bill would reduce taxes that were paid in previous fiscal years, it is unclear how the impact of the bill would be distributed. If the bill resulted in the payment of refunds during FY 2005-06 by each of the respective recipients of the taxes, then all of the bill's impact would fall in FY 2005-06.

The provisions regarding qualified commercial activity also would reduce State and local revenue but by an unknown amount. The actual amount of the reduction would depend upon the characteristics of the property and the type of certificate granted. Any impact would reduce School Aid Fund revenue, local unit revenue, and local school district revenue. Reductions to local school district revenue would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

This estimate is preliminary and will be revised as new information becomes available.

Date Completed: 11-30-05 Fiscal Analyst: David Zin

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