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BILL ANALYSIS

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House Bill 4027 (Substitute H-3 as passed by the House)
Sponsor: Representative John Stewart
House Committee: Commerce
Senate Committee: Commerce and Labor

Date Completed: 11-8-05

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.

MCL 207.552 & 207.557 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local unit revenue. The bill would require the State to issue an exemption certificate if a local unit approved a resolution to approve a new facility certificate on October 14, 2003, for a certificate that expired at the end of the previous year. 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.

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

Fiscal Analyst: David Zin

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