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BILL ANALYSIS

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House Bill 4915 (as passed by the House)
Sponsor: Representative Rick Jones
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 6-29-05

CONTENT

The bill would amend the plant rehabilitation and industrial development districts Act to permit local units of government to extend property tax abatements for the operation of a logistical optimization center.

Under the Act, local units of government may establish plant rehabilitation districts and industrial development districts to provide new, renovated, or expanded industrial property (facilities) with property tax abatements for up to 12 years. To be eligible for the tax abatements, the industrial property must be used for certain activities, which include the manufacturing and processing of goods or materials, high-technology activity, and agricultural processing.

The bill would amend the Act's definition of "industrial property" to include the operation of a logistical optimization center among the activities that qualify a facility for the tax abatements. The bill would define "logistical optimization center" as a sorting and distribution center that supports an assembly center and its manufacturing process for the purpose of optimizing transportation, just-in-time inventory management, and material handling.

MCL 207.552

BACKGROUND

Under the Act (commonly called PA 198), in a local unit that has established a plant rehabilitation and industrial development district, the owner or lessee of industrial property in the district may apply to the local unit for an industrial facilities exemption certificate. Upon approval by the local unit's legislative body, the application is forwarded to the State Tax Commission, which issues an industrial facilities exemption certificate if it determines that the facility conforms with the Act. The certificate exempts the facility (but not the land or inventory) from real and personal property taxes, and makes it subject to a specific industrial facilities tax. For a new facility, the specific tax is 50% of what the property tax otherwise would be, plus the State education tax. For a replacement facility, the specific tax essentially is the amount that property taxes would be based on the value of the facility before renovation.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would reduce local unit revenue and increase School Aid Fund expenditures by an unknown amount, depending upon how many exemption certificates were issued under the provisions added by the bill and the specific characteristics of the properties receiving certificates. The change in revenue would reflect the impact relative to whether a new facility or rehabilitation would occur absent the bill and receive a certificate.

Fiscal Analyst: David Zin

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