

# SENATE BILL No. 146

January 31, 2007, Introduced by Senators BROWN, RICHARDVILLE, BIRKHOLZ, CROPSEY, PAPPAGEORGE, JANSEN, GARCIA and GEORGE and referred to the Committee on Economic Development and Regulatory Reform.

A bill to amend 1974 PA 198, entitled

"An act to provide for the establishment of plant rehabilitation districts and industrial development districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to impose and provide for the disposition of an administrative fee; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of the state tax commission and certain officers of local governmental units; and to provide penalties,"

by amending sections 2 and 4 (MCL 207.552 and 207.554), section 2 as amended by 2005 PA 267 and section 4 as amended by 2004 PA 437.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 2. (1) "Commission" means the state tax commission  
2       created by 1927 PA 360, MCL 209.101 to 209.107.

3       (2) "Facility" means either a replacement facility, a new  
4       facility, or, if applicable by its usage, a speculative building.

1 (3) "Replacement facility" means 1 of the following:

2 (a) In the case of a replacement or restoration that occurs on  
3 the same or contiguous land as that which is replaced or restored,  
4 industrial property that is or is to be acquired, constructed,  
5 altered, or installed for the purpose of replacement or restoration  
6 of obsolete industrial property together with any part of the old  
7 altered property that remains for use as industrial property after  
8 the replacement, restoration, or alteration.

9 (b) In the case of construction on vacant noncontiguous land,  
10 property that is or will be used as industrial property that is or  
11 is to be acquired, constructed, transferred, or installed for the  
12 purpose of being substituted for obsolete industrial property if  
13 the obsolete industrial property is situated in a plant  
14 rehabilitation district in the same city, village, or township as  
15 the land on which the facility is or is to be constructed and  
16 includes the obsolete industrial property itself until the time as  
17 the substituted facility is completed.

18 (4) "New facility" means new industrial property other than a  
19 replacement facility to be built in a plant rehabilitation district  
20 or industrial development district.

21 (5) "Local governmental unit" means a city, village, or  
22 township located in this state.

23 (6) "Industrial property" means land improvements, buildings,  
24 structures, and other real property, and machinery, equipment,  
25 furniture, and fixtures or any part or accessory whether completed  
26 or in the process of construction comprising an integrated whole,  
27 the primary purpose and use of which is the engaging in a high-

1 technology activity, operation of a logistical optimization center,  
2 operation of qualified commercial activity, the manufacture of  
3 goods or materials, creation or synthesis of biodiesel fuel, or the  
4 processing of goods and materials by physical or chemical change;  
5 property acquired, constructed, altered, or installed due to the  
6 passage of proposal A in 1976; the operation of a hydro-electric  
7 dam by a private company other than a public utility; or  
8 agricultural processing facilities. Industrial property includes  
9 facilities related to a manufacturing operation under the same  
10 ownership, including, but not limited to, office, engineering,  
11 research and development, warehousing, or parts distribution  
12 facilities. Industrial property also includes research and  
13 development laboratories of companies other than those companies  
14 that manufacture the products developed from their research  
15 activities and research development laboratories of a manufacturing  
16 company that are unrelated to the products of the company. For  
17 applications approved by the legislative body of a local  
18 governmental unit between June 30, 1999 and December 31, 2007,  
19 industrial property also includes an electric generating plant that  
20 is not owned by a local unit of government, including, but not  
21 limited to, an electric generating plant fueled by biomass.  
22 Industrial property also includes convention and trade centers over  
23 250,000 square feet in size. Industrial property also includes a  
24 federal reserve bank operating under 12 USC 341, located in a city  
25 with a population of 750,000 or more. Industrial property may be  
26 owned or leased. However, in the case of leased property, the  
27 lessee is liable for payment of ad valorem property taxes and shall

1 furnish proof of that liability. Industrial property does not  
2 include any of the following:

3 (a) Land.

4 (b) Property of a public utility other than an electric  
5 generating plant that is not owned by a local unit of government  
6 and for which an application was approved by the legislative body  
7 of a local governmental unit between June 30, 1999 and December 31,  
8 2007.

9 (c) Inventory.

10 (7) "Obsolete industrial property" means industrial property  
11 the condition of which is substantially less than an economically  
12 efficient functional condition.

13 (8) "Economically efficient functional condition" means a  
14 state or condition of property the desirability and usefulness of  
15 which is not impaired due to changes in design, construction,  
16 technology, or improved production processes, or from external  
17 influencing factors ~~which~~ **THAT** make the property less desirable and  
18 valuable for continued use.

19 (9) "Research and development laboratories" means building and  
20 structures, including the machinery, equipment, furniture, and  
21 fixtures located in the building or structure, used or to be used  
22 for research or experimental purposes that would be considered  
23 qualified research as that term is used in section 41 of the  
24 internal revenue code, 26 USC 41, except that qualified research  
25 also includes qualified research funded by grant, contract, or  
26 otherwise by another person or governmental entity.

27 (10) "Manufacture of goods or materials" or "processing of

1 goods or materials" means any type of operation that would be  
2 conducted by an entity included in the classifications provided by  
3 sector 31-33 – manufacturing, of the North American industry  
4 classification system, United States, 1997, published by the office  
5 of management and budget, regardless of whether the entity  
6 conducting that operation is included in that manual.

7 (11) "High-technology activity" means that term as defined in  
8 section 3 of the Michigan economic growth authority act, 1995 PA  
9 24, MCL 207.803.

10 (12) "Logistical optimization center" means a sorting and  
11 distribution center that supports a private passenger motor vehicle  
12 assembly center and its manufacturing process for the purpose of  
13 optimizing transportation, just-in-time inventory management, and  
14 material handling, and to which all of the following apply:

15 (a) The sorting and distribution center is within 2 miles of a  
16 private passenger motor vehicle assembly center that, together with  
17 supporting facilities, contains at least 800,000 square feet.

18 (b) The sorting and distribution center contains at least  
19 950,000 square feet.

20 (c) The sorting and distribution center has applied for an  
21 industrial facilities exemption certificate after June 30, 2005 and  
22 before January 1, 2006.

23 (d) The private passenger motor vehicle assembly center is  
24 located on land conditionally transferred by a township with a  
25 population of more than 25,000 under 1984 PA 425, MCL 124.21 to  
26 124.30, to a city with a population of more than 100,000 that  
27 levies an income tax under the city income tax act, 1964 PA 284,

1 MCL 141.501 to 141.787.

2 (13) "Commercial property" means that term as defined in  
3 section 2 of the obsolete property rehabilitation act, 2000 PA 146,  
4 MCL 125.2782.

5 (14) "Qualified commercial activity" means commercial property  
6 that meets all of the following:

7 ~~— (a) An application for an exemption certificate approved by~~  
8 ~~the local governmental unit is filed for approval by the state tax~~  
9 ~~commission not later than April 30, 2006.~~

10 (A) ~~(b) At least 90% of the property, excluding the~~  
11 ~~surrounding green space, is~~ **IS** ~~used for warehousing, distribution,~~  
12 ~~and logistics~~ **OR LOGISTIC** ~~purposes that provide food for~~  
13 ~~institutional, restaurant, hospital, or hotel customers~~ **OR FOR A**  
14 **COMMUNICATION SERVICE CENTER.**

15 ~~— (c) Is located within a village and is within 15 miles of a~~  
16 ~~Michigan state border.~~

17 (B) ~~(d) Occupies 1 or more buildings~~ **A BUILDING** ~~or structures~~  
18 **STRUCTURE** ~~that together are~~ **IS** ~~greater than 300,000~~ **100,000** ~~square~~  
19 ~~feet in size.~~

20 Sec. 4. (1) A local governmental unit, by resolution of its  
21 legislative body, may establish plant rehabilitation districts and  
22 industrial development districts that consist of 1 or more parcels  
23 or tracts of land or a portion of a parcel or tract of land.

24 (2) The legislative body of a local governmental unit may  
25 establish a plant rehabilitation district or an industrial  
26 development district on its own initiative or upon a written  
27 request filed by the owner or owners of 75% of the state equalized

1 value of the industrial property located within a proposed plant  
2 rehabilitation district or industrial development district. This  
3 request shall be filed with the clerk of the local governmental  
4 unit.

5 (3) Except as provided in section 9(2)(h), after December 31,  
6 1983, a request for the establishment of a proposed plant  
7 rehabilitation district or industrial development district shall be  
8 filed only in connection with a proposed replacement facility or  
9 new facility, the construction, acquisition, alteration, or  
10 installation of or for which has not commenced at the time of the  
11 filing of the request. The legislative body of a local governmental  
12 unit shall not establish a plant rehabilitation district or an  
13 industrial development district pursuant to subsection (2) if it  
14 finds that the request for the district was filed after the  
15 commencement of construction, alteration, or installation of, or of  
16 an acquisition related to, the proposed replacement facility or new  
17 facility. This subsection shall not apply to a speculative  
18 building.

19 (4) Before adopting a resolution establishing a plant  
20 rehabilitation district or industrial development district, the  
21 legislative body shall give written notice by certified mail to the  
22 owners of all real property within the proposed plant  
23 rehabilitation district or industrial development district and  
24 shall hold a public hearing on the establishment of the plant  
25 rehabilitation district or industrial development district at which  
26 those owners and other residents or taxpayers of the local  
27 governmental unit shall have a right to appear and be heard.

1           (5) The legislative body of the local governmental unit, in  
2 its resolution establishing a plant rehabilitation district, shall  
3 set forth a finding and determination that property comprising not  
4 less than 50% of the state equalized valuation of the industrial  
5 property within the district is obsolete.

6           (6) A plant rehabilitation district or industrial development  
7 district established by a township shall be only within the  
8 unincorporated territory of the township and shall not be within a  
9 village.

10          (7) Industrial property that is part of an industrial  
11 development district or a plant rehabilitation district may also be  
12 part of a tax increment district established under the tax  
13 increment finance authority act, 1980 PA 450, MCL 125.1801 to  
14 125.1830.

15          (8) A local governmental unit, by resolution of its  
16 legislative body, may terminate a plant rehabilitation district or  
17 an industrial development district, if there are no industrial  
18 facilities exemption certificates in effect in the plant  
19 rehabilitation district or the industrial development district on  
20 the date of the resolution to terminate.

21          (9) Before acting on a proposed resolution terminating a plant  
22 rehabilitation district or an industrial development district, the  
23 local governmental unit shall give at least ~~14~~15 days' written  
24 notice by certified mail to the owners of all real property within  
25 the plant rehabilitation district or industrial development  
26 district as determined by the tax records in the office of the  
27 assessor or the treasurer of the local tax collecting unit in which



1 the property is located and shall hold a public hearing on the  
2 termination of the plant rehabilitation district or industrial  
3 development district at which those owners and other residents or  
4 taxpayers of the local governmental unit, or others, shall have a  
5 right to appear and be heard.