

Legislative Analysis



PA 198: BIOMASS PLANT

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Senate Bill 126 (Substitute H-2)

Sponsor: Sen. Jason E. Allen

House Committee: New Economy and Quality of Life

Senate Committee: Economic Development and Regulatory Reform

Complete to 12-15-09

A SUMMARY OF SENATE BILL 126 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend the Plant Rehabilitation and Industrial Development Act, commonly referred to as PA 198, to allow a property tax abatement for an electric generating plant fueled by biomass that is not owned by a local unit of government, if the following conditions are met:

- The plant involves the reuse of a federal superfund site remediated by the U.S. Environmental Protection Agency.
- An independent study has concluded that the plant would not have an adverse effect on wood supply in the area from which the plant's wood supply would be derived. A plant would be presumed not to have an adverse effect if the company has a study funded by the U.S. Department of Energy and managed by the state Department of Energy, Labor, and Economic Growth concluding that the plant will consume not more than 7.5 percent of the annual wood growth within a 60-mile radius of the plant.

BACKGROUND INFORMATION:

The bill is understood to allow a property tax abatement to be granted to a new electric generating plant in Mancelona, Michigan. The bill is supported by the Northern Lakes Economic Alliance. According to information from the analysis by the Senate Fiscal Agency, the proposed plant would be operated by the Mancelona Renewable Resources Company, and would burn about 400,000 tons of wood chips and waste wood per year and create enough electricity to fuel 30,000 homes. Proponents say the plant would employ about 30 full-time workers and create numerous ancillary jobs and spur economic development in the Mancelona area.

Opposition to the bill was expressed by a representative of Michigan Biomass, which describes itself as an advocacy group for small wood-fired power generators operating under power purchase agreements effective prior to 2000. The organization represents six wood-fired power plants. Critics say these existing plants would not be eligible for this PA 198 tax abatement and would thus be at a competitive disadvantage. They also say that there isn't enough waste wood for another plant (thus prices would increase for

this resource). The incentives that benefit the new plant could injure plants in Cadillac and McBain, they say.

FISCAL IMPACT:

PA 198 allows local units of government to grant industrial facility exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement on a facility (but not the land) for up to 12 years to an industrial facility, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. (For a rehabilitated facility, the tax is based on the value of property prior to renovation.) 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 State Treasurer can also allow the abatement of the State Education Tax. PA 198 abatements lower local property taxes and increase School Aid Fund expenditures (to make up lost local revenue).

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