



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 126 (Substitute S-1)
Sponsor: Senator Jason E. Allen
Committee: Economic Development and Regulatory Reform

Date Completed: 2-10-09

CONTENT

The bill would amend the plant rehabilitation and industrial development Act to reinstate and extend through the end of 2013 a provision under which a local legislative body could approve an exemption certificate for an electric generating plant not owned by a local unit of government.

The Act, commonly referred to as P.A. 198, allows local units of government, with the approval of the State Tax Commission, to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. A certificate essentially grants a property tax abatement to an industrial facility, which is subject to an industrial facilities tax that is lower than standard property taxes.

For exemption certificate applications approved by the legislative body of a local governmental unit between June 30, 1999, and December 31, 2007, the definition of "industrial property" includes an electric generating plant that is not owned by a local unit of government, including an electric generating plant fueled by biomass. In addition, the definition specifically excludes property of a public utility other than a plant that meets this description. Under the bill, the definition would include an electric generating plant not owned by a local unit, including a plant fueled by biomass, for applications approved by a local unit's legislative body between June 30, 1999, and December 31, 2013.

MCL 207.552

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce local unit revenue, and increase required expenditures from the School Aid Fund, by an unknown amount. The bill also could reduce revenue to the School Aid Fund by an unknown amount under certain circumstances. The magnitude of the changes could be significant, but based on recent history the likely impact would be minimal.

Under current statute, exemption certificates must be approved by the local unit in which the property is located and, once approved, they reduce the non-State Education Tax property taxes by 50%. The State receives revenue from both the State Education Tax and the portion of property tax revenue attributable to mills levied for school operating purposes on nonhomestead property. The latter revenue source reflects a tax rate of 9 mills, because without the exemption certificate the school district would receive 18 mills. As a result,

revenue received by the State would be increased by the bill, assuming the investments would not occur absent the bill. However, the bill would reduce property tax revenue received by local units, including those from what would otherwise be 18 mills levied on nonhomestead property for school operating purposes. Reductions in local school district revenue would increase School Aid Fund expenditures in order to maintain per-pupil funding guarantees, and the magnitude of the change would be approximately 50% more than any increase in revenue from the State Education Tax.

For new facilities, the State Treasurer may exclude half of the mills under the State Education Tax. To the extent that such an exemption was granted, the bill also would reduce School Aid Fund revenue.

The actual impact of the bill would depend on a number of circumstances, including the number of certificates granted between now and 2013, the value of the plants affected, and the average value per megawatt of capacity for those plants. Occasionally, these plants are located in a Michigan renaissance zone, where a plant would pay even less in property taxes and would not be affected by the bill. To the extent that plants located in renaissance zones, the fiscal impact of the bill also would be lower.

Fiscal Analyst: David Zin

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