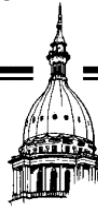




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BILL ANALYSIS



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Senate Bill 536 (Substitute S-1)
Sponsor: Senator John Proos
Committee: Finance

Date Completed: 11-13-13

CONTENT

The bill would amend the General Property Tax Act to allow a local tax collecting unit to exempt from the collection of taxes under the Act, for five to seven years, specific property of an eligible economic development group, which would be a charitable nonprofit organization whose primary purpose was the economic development of real property or combining parcels of real property for economic development purposes, if the State Treasurer approved the exemption.

Specifically, the governing body of a local tax collecting unit could adopt a resolution to exempt from the collection of taxes under the Act specifically identified real and personal property owned by an eligible economic development group. Before acting on the resolution, the clerk of the local tax collecting unit would have to give written notice to its assessor and the legislative body of each taxing unit that levied ad valorem property taxes in that local tax collecting unit. The governing body would have to give the assessor and a representative of the affected taxing units an opportunity for a hearing, before the governing body acted on the resolution. A copy of the resolution also would have to be filed with the State Tax Commission. The resolution would not be effective unless approved as described below.

Within 60 days after receiving a copy of the resolution, the State Tax Commission would have to determine whether the real and personal property subject to the exemption was owned by an eligible economic development group. If the Commission determined that it was, the State Treasurer would have to approve the resolution, if he or she determined that exempting the property was necessary to reduce unemployment, promote economic growth, and increase capital investment in the State.

The exemption would be effective on the December 31 following the adoption of the resolution by the governing body of the local tax collecting unit, and would continue in effect through December 30 in the year five years after the resolution was adopted. The governing body, by resolution, could extend the exemption of the specifically identified real and personal property for an additional two years, if the governing body determined that the eligible economic development group was making adequate progress in the development of real property or in combining parcels of real property for economic development. A copy of the resolution extending the exemption would have to be filed with the State Tax Commission and the State Treasurer.

The State Tax Commission would have to report annually to the Senate and House of Representatives the total number of eligible economic development groups that were receiving an exemption under the bill, where the property subject to the exemption was

located, and the total dollar amount of the tax revenue foregone as a result of the exemptions.

Proposed MCL 211.7tt

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce local property tax revenue by an unknown and, for specific local units, potentially significant amount that would depend on the specific characteristics of affected property. The bill would place no requirements or qualifications on eligible taxpayers beyond being approved charitable nonprofit organizations with the primary purpose of redeveloping real property or combining parcels for redevelopment. The bill also would not limit the number of such approved organizations or the value of property, either per approved organization or in aggregate, that could be exempted. Exemptions would last between five and seven years.

In order for property to be exempt, the local tax collecting unit in which the property was located would have to approve a resolution and the State Treasurer would have to determine that the exemption would be necessary to reduce unemployment, promote economic growth, and increase capital investment. The bill does not specify any criteria property would have to meet in order to be included in the resolution or any thresholds that would have to be met for the Treasurer's approval. The exemption approved by the resolution would affect all levies assessed against affected property, not just taxes levied by the tax collecting unit approving the resolution. As a result, if a township or city approved a resolution, the exemption would affect not only taxes levied by the township or city, but also county taxes, taxes levied by authorities such as park, transportation, and library authorities, the State Education Tax, school operating and debt mills, and any other levy collected under the General Property Tax Act.

Because the bill would reduce revenue from local school operating mills, the bill also would require School Aid Fund expenditures to increase by an unknown amount if per-pupil funding guarantees were to be maintained.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.