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BILL ANALYSIS

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Senate Bill 1111 (as enrolled) **PUBLIC ACT 513 of 1996**
Sponsor: Senator Jon Cisky
Senate Committee: Economic Development, International Trade and Regulatory Affairs
House Committee: Local Government

Date Completed: 1-14-97

CONTENT

The bill amended the Plant Rehabilitation and Industrial Development Districts Act to specify that the Act's criteria for industrial facilities tax exemption certificates for applications made after December 31, 1983, do not apply to certain facilities, and to specify effective dates for exemption certificates for certain facilities; to require the State Tax Commission to issue an exemption certificate under certain conditions even if the application was delayed; and to require certain completion dates and staggered exemption certificates for facilities with State equalized valuation in excess of $150 million.

Issuance of Certificate

The bill requires the State Tax Commission to issue an industrial facilities exemption certificate for real and personal property if on December 29, 1986, a local governmental unit passed a resolution approving an exemption certificate for 10 years for the property but the Commission did not receive the application until 1992 and the application was not made complete until 1995. The exemption certificate must begin on December 30, 1987, and end on December 30, 1997.

The Act provides that for applications made after December 31, 1983, the commencement of the restoration, replacement, or construction of the facility may not have occurred earlier than six months before the filing of the application for the industrial facilities exemption certificate. The bill specifies that this provision does not apply to 1) a facility located in an existing industrial development district owned by a person who filed an application for an industrial facilities exemption certificate in June 1995 if the application was approved by the legislative body of the local governmental unit in July 1995 and the personal property portion of the application was approved by the State Tax Commission in November 1995, or 2) a facility located in an existing industrial development district occupied by a person who filed an application for an exemption certificate in June 1995 if the application was approved by the legislative body of the local governmental unit in October 1995 for construction that was commenced in November or December 1994.

In addition, the bill specifies that, notwithstanding any other provision of the Act, if on December 29, 1986, a local governmental unit passed a resolution approving an exemption certificate for 10 years for real and personal property but the State Tax Commission did not receive the application until 1992 and the application was not completed until 1995, then the Commission must issue, for that property, an exemption certificate that begins December 30, 1987, and ends December 30,

1997. The facility must be taxed as if it had been granted an industrial facilities exemption certificate on December 30, 1987. In addition, if a local governmental unit passed a resolution approving an exemption certificate for a new facility on July 8, 1991, but rescinded that resolution and passed a resolution approving an exemption certificate for the same facility as a replacement facility on October 21, 1996, the Commission must issue for that property an exemption certificate that begins December 30, 1991, and ends December 2003. The replacement facility must be taxed as if it were granted an exemption certificate on December 30, 1991.

$150 Million Facilities

The bill specifies that if, after reviewing an application, the Commission determines that the cost of the facility exceeds $150 million of State equalized valuation (SEV), all of the following apply:

-- The replacement, restoration, or construction of the facility must be completed within six years of the effective date of the initial industrial facilities exemption certificate or a greater time as authorized by the Commission for good cause.
-- The Commission must provide up to three separate exemption certificates for the facility. The initial certificate will be effective for not more than 14 years. The second certificate will be effective two years after the initial certificate becomes effective and will continue to be effective for not more than 14 years. The third certificate will be effective four years after the initial certificate becomes effective and will continue to be effective for not more than 14 years. The Commission may modify each certificate during the replacement, restoration, or construction of the facility. In any case, an exemption certificate must expire not more than 12 years from the completion of the facility.
-- For each industrial facilities exemption certificate, the Commission must determine the portion of the facility to be completed. During the first two years of the certificate period, the SEV of that portion of the facility will be used to calculate the industrial facilities tax. Upon the expiration or revocation of each exemption certificate, that portion of the facility will be subject to the general ad valorem property tax.

For a facility whose cost exceeds $150 million SEV, the bill extended the conditions under which an exemption certificate may be revoked to include the ground that the replacement, restoration, or construction of the facility has not occurred within six years after the date the initial certificate was issued unless a greater time has been authorized by the Commission for good cause.

MCL 207.557 et al. Legislative Analyst: L. Burghardt

FISCAL IMPACT

This bill will reduce property tax collections for the local governments and school districts involved and specified in the bill.

Fiscal Analyst: R. Ross

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