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BILL ANALYSIS

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Senate Bill 376 (Substitute S-1)
Sponsor: Senator Mike Kowall
Committee: Economic Development

Date Completed: 6-7-11

CONTENT

The bill would amend the plant rehabilitation and industrial development Act, commonly referred to as PA 198, to specify that "industrial property" would include a hotel or motel, with meeting or conference space, attached to a convention and trade center under the Act.

The Act allows a local unit of government, by resolution of its legislative body, to establish a plant rehabilitation district or an industrial development district on its own initiative or upon a written request filed by the owner or owners of 75% of the State equalized valuation (SEV) of the industrial property located within a proposed district. The legislative body must find that at least 50% of the SEV of the industrial property within the district is obsolete. With the approval of the State Tax Commission, the local unit may grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in the district. A certificate essentially grants a property tax abatement for industrial property in a district, which is subject to an industrial facilities tax that is lower than standard property taxes.

The Act's definition of "industrial property" includes a convention and trade center in which construction begins by December 31, 2010, and that is one of the following: over 250,000 square feet in size; over 100,000 square feet in size, if located in a county with a population of more than 750,000 and less than 1.1 million; or over 30,000 square feet in size, if located in a county with a population of more than 26,000 and less than 28,000. Under the bill, industrial property also would include a hotel or motel that had additional meeting or conference space and that was attached to a convention and trade center, described in the definition of industrial property.

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 actual impact of the bill would depend on the specific characteristics of the property affected by the bill. The magnitude of the changes could be significant, but based on recent history and that the bill likely would affect few properties or a single property, the likely impact would be minimal.

Under the 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, the bill would increase revenue received by the State, assuming the investments will not occur absent the bill. However, the bill would reduce property tax revenue received by local units, including revenue from what otherwise will 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.

Fiscal Analyst: David Zin