



Senate Fiscal Agency
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House Bill 4788 (as reported without amendment)

Sponsor: Representative Harvey Santana

House Committee: Commerce

Senate Committee: Economic Development

CONTENT

The bill would amend the plant rehabilitation and industrial development Act, commonly referred to as PA 198, to reduce the city population requirement for a Federal Reserve Bank to be included in the definition of "industrial property".

The Act allows a local unit of government to establish a plant rehabilitation district or an industrial development district. 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 Federal Reserve Bank located in a city with a population of 750,000 or more. The bill would refer instead to such a bank in a city with a population of 600,000 or more. (Detroit was the only city that met the population criterion, but its population fell below 750,000 according to the 2010 U.S. Census.)

MCL 207.552

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact compared with current revenue, but would prevent an increase in tax revenue to the State and to local units, and a decrease in School Aid Fund expenditures. In 2002, the facility affected by the bill was granted a certificate, which expires in 2017, for a \$60.0 million investment. The certificate applies to the taxable value of the facility, excluding the land and inventory personal property, and reduces the applicable millage rates by 50%. The certificate for this facility does not exempt it from the State Education Tax. Assuming the facility's taxable value was approximately \$60.0 million in 2010, and the relevant mills in 2010, the value of the tax reduction in 2010 totaled approximately \$2.5 million.

Date Completed: 9-19-11

Fiscal Analyst: David Zin