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

BILL ANALYSIS

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

Senate Bill 852 (as reported without amendment)
Sponsor: Senator Bert Johnson
Committee: Economic Development

CONTENT

The bill would amend the plant rehabilitation and industrial development district Act (known as PA 198) to require the State Tax Commission to issue an industrial facilities exemption certificate if a local governmental unit on August 23, 2011, passed a resolution approving the certificate for 12 years for real property and the emergency manager subsequently appointed for that local community issued an order approving the exemption certificate on November 8, 2013, but the Commission did not receive the application until November 27, 2013. The certificate would begin on December 31, 2011, and end on December 30, 2023. The real property component of the facility would have to be taxed under the Act as if it had been granted an exemption certificate on December 31, 2011.

MCL 207.559 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce local unit revenue and increase School Aid Fund expenditures; depending on the actions of the State Treasurer, the bill also could reduce State School Aid Fund (SAF) revenue. Assuming the certificate was for a new, not a replacement, facility (because the affected taxpayer is a recycling firm in Hamtramck operating on brownfield property), the certificate would reduce most mills levied on the property by 50%. Based on tax year 2013 data, this reduction would total approximately 40.44 mills per year, and lower local unit revenue by approximately $32,600 per year. Among the local mills affected are school operating, school recreation, city, county, community college, and library mills, and mills for the Detroit Zoo and the Detroit Institute of Arts.

Reductions in school operating mills would require increased School Aid Fund expenditures if the State maintained per-pupil funding guarantees. Based on the 2013 data, SAF expenditures would need to increase by approximately $8,700 per year. In addition, if the exemption certificate were granted, the State Treasurer would be authorized to abate 0, 3, or 6 mills of the State Education Tax on the property. If the State Treasurer abated 3 mills, the bill would lower SAF revenue by approximately $2,904 per year, while if all 6 mills were abated, SAF revenue would be reduced by approximately $5,800 per year.

Because the exemption certificate would be effective December 31, 2011, in the first year of the bill, local unit revenue would be reduced by two years of revenue. The revenue loss under the bill would continue through tax year 2023.

Date Completed: 9-26-14 Fiscal Analyst: David Zin