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SFA**BILL ANALYSIS**

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Senate Bill 733 (as enrolled)
Sponsor: Senator Glenn D. Steil
Senate Committee: Finance
House Committee: Tax Policy

PUBLIC ACT 328 of 1998

Date Completed: 8-10-98

CONTENT

The bill amended the General Property Tax Act to allow the governing body of an eligible local assessing district (a city, village, or township that contains an "eligible distressed area") to adopt a resolution to exempt from personal property taxes all new personal property of an "eligible business" located in an "eligible district" or districts designated in the resolution.

The exemption will become effective on the December 31 following the approval of the resolution by the governing body, and continue in effect for a period specified in the resolution. A copy of the resolution must be filed with the State Tax Commission and will not become effective unless approved. Within 60 days after receiving a copy of the resolution, the State Tax Commission must approve or disapprove it. The State Treasurer, with the written concurrence of the Department of Michigan Jobs Commission, must advise the State Tax Commission as to whether exempting the new personal property of the eligible business is necessary to reduce unemployment, promote economic growth, and increase capital investment in the State. If approved, the exemption will apply to personal property that was not previously subject to the personal property tax, and that is placed in an eligible district after the resolution is approved by the assessing district.

Under the bill, "eligible distressed area" means that term as it is defined in the State Housing Development Authority Act. Under that Act, "eligible distressed area" means any of the following:

- An area in a city (with a population of at least 10,000) that is designated as a blighted area by the local legislative body as provided under Public Act 344 of 1945 (which authorizes local units of government to adopt plans to prevent and rehabilitate blighted areas); or an area that is determined to be blighted by the Michigan State Housing Development Authority according to criteria specified in the State Housing Development Authority Act.
- A municipality (city, village, or township) that shows a negative population change from 1970 to the most recent Federal decennial census; that shows an overall increase in the State equalized value less than the statewide average since 1972; that has a poverty rate greater than the statewide average; and that has had an unemployment rate higher than the statewide average for three of the five preceding years.
- An area located in a local unit of government that is certified by the Michigan Enterprise Zone Authority as meeting certain criteria, prescribed in the Neighborhood Enterprise Zone Act, to qualify as a neighborhood enterprise zone.

"Eligible business" means that term as defined in the Michigan Economic Growth Authority Act, that is, a business that proposes to create qualified jobs in Michigan in manufacturing, mining, research and development, wholesale and trade, or office operations; it does not include retail establishments, professional sports stadiums, or that portion of a business used exclusively for retail sales.

"Eligible district" means any of the following:

- An industrial development district as defined in the Plant Rehabilitation and Industrial Development Districts Act.
- A downtown district or a development area as defined in the downtown development authority Act.
- A renaissance zone as defined in the Michigan Renaissance Zone Act
- An enterprise zone as defined in the Enterprise Zone Act.
- A brownfield redevelopment zone as defined in the Brownfield Redevelopment Financing Act.
- An empowerment zone designated under subchapter U of Chapter 1 of the Internal Revenue Code.
- An authority district or a development area as defined in the Tax Increment Finance Authority Act
- An authority district as defined in the Local Development Financing Act.

MCL 211.9f

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill allows personal property tax exemptions of new personal property in the specified local areas or districts. It is difficult to estimate the value of new personal property that will be located in these eligible areas, as well as the amount that is exempt under existing law. However, for every \$100 million in new personal property that qualifies for an exemption under this bill, local governments will lose \$2.6 million and local school property tax revenue will decline by \$1.8 million. State government revenue from the State education property tax will decline by \$0.6 million; however, due to the State's guaranteed school foundation allowance, the State also must reimburse the schools for their loss in personal property taxes, which brings the total State cost to \$2.4 million.

Fiscal Analyst: R. Ross

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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.