

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bills 5805 and 5806 (as reported without amendment)
Sponsor: Representative Jason Allen (House Bill 5805)
Representative Joseph Rivet (House Bill 5806)
House Committee: Commerce
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 6-12-02

RATIONALE

Revisions to the Michigan Renaissance Zone Act in recent years have allowed local governmental units containing renaissance zones to designate up to 10 additional distinct geographic areas, or "subzones", with the approval of the State Administrative Board, and to extend the duration of the renaissance zone status of the subzones. State officials reportedly believed that extending the duration of the renaissance zone status of those subzones also required the approval of the Board, but apparently the language added to the Act in 1999 did not clearly require that approval. Some people believe that, since designation of a particular area as a renaissance zone affects the revenue stream of other units of government besides the local unit making the designation, State approval of the duration of that zone should be required.

qualified local governmental unit, not to exceed 15 years, except as otherwise provided. The bill would delete a qualified local unit's authority to determine the duration of renaissance zone status for those additional areas.

The Act also provides that, if a qualified local governmental unit or units designate additional distinct geographic areas in a renaissance zone, as described above, the qualified local unit or units may extend the duration of the renaissance zone status of one or more distinct geographic areas in that zone until 2017. The bill specifies that the local unit or units could extend the duration of renaissance zone status until that year upon application to and approval by the State Administrative Board.

CONTENT

House Bills 5805 and 5806 would amend the Michigan Renaissance Zone Act to revise provisions governing the extension of the duration of a renaissance zone.

House Bill 5805

The Act provides that, through December 31, 2002, a qualified local governmental unit or units in which a renaissance zone was designated under the Act may designate additional distinct geographic areas, not to exceed a total of 10 distinct geographic areas, upon application to and approval by the State Administrative Board. The Act currently specifies that those additional distinct geographic areas have the duration of renaissance zone status determined by the

The bill states that it would be retroactive and effective for one or more distinct geographic areas whose duration of renaissance zone status had been extended on and after April 1, 2002. Any action by a qualified local governmental unit on and after that date and until the bill's effective date to extend the duration of renaissance zone status on additional distinct geographic areas without approval by the State Administrative Board would be null and void.

House Bill 5806

The Act requires the State Administrative Board to approve or reject the duration of renaissance zone status, not to exceed 15 years except as provided in Section 4(5) (i.e., until 2017--subject to Board approval under House Bill 5805). The bill would delete from

that provision "not to exceed 15 years except as provided in section 4(5)".

MCL 125.2684 (H.B. 5805)
125.2686 (H.B. 5806)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills state explicitly that the extension of the duration of a renaissance zone beyond the original authorized time period would require the approval of the State Administrative Board. The ability to extend the life of a zone was added to the Act in 1999 and, reportedly, State economic development officials believed that Board approval was required until they recently were informed by the Attorney General's office that the Act does not require that approval.

Businesses in, and residents of, renaissance zones are granted exemptions from the single business tax, State and local income taxes, the State education tax, property taxes, various specific taxes, and, in Detroit, the city utility users tax. Zone designation and duration, then, affect the revenue collection beyond the boundaries of the local unit extending a zone's duration. An extension therefore should be subject to Board approval.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: David Zin

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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.