

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4027**

A bill to amend 1974 PA 198, entitled

"An act to provide for the establishment of plant rehabilitation districts and industrial development districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to impose and provide for the disposition of an administrative fee; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of the state tax commission and certain officers of local governmental units; and to provide penalties,"

by amending sections 2 and 7 (MCL 207.552 and 207.557), section 2 as amended by 2005 PA 118 and section 7 as amended by 1996 PA 513.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. (1) "Commission" means the state tax commission
2 created by 1927 PA 360, MCL 209.101 to 209.107.

3 (2) "Facility" means either a replacement facility, a new

1 facility, or, if applicable by its usage, a speculative building.

2 (3) "Replacement facility" means 1 of the following:

3 (a) In the case of a replacement or restoration that occurs on
4 the same or contiguous land as that which is replaced or restored,
5 industrial property that is or is to be acquired, constructed,
6 altered, or installed for the purpose of replacement or restoration
7 of obsolete industrial property together with any part of the old
8 altered property that remains for use as industrial property after
9 the replacement, restoration, or alteration.

10 (b) In the case of construction on vacant noncontiguous land,
11 property that is or will be used as industrial property that is or
12 is to be acquired, constructed, transferred, or installed for the
13 purpose of being substituted for obsolete industrial property if
14 the obsolete industrial property is situated in a plant
15 rehabilitation district in the same city, village, or township as
16 the land on which the facility is or is to be constructed and
17 includes the obsolete industrial property itself until the time as
18 the substituted facility is completed.

19 (4) "New facility" means new industrial property other than a
20 replacement facility to be built in a plant rehabilitation district
21 or industrial development district.

22 (5) "Local governmental unit" means a city, village, or
23 township **LOCATED IN THIS STATE.**

24 (6) "Industrial property" means land improvements, buildings,
25 structures, and other real property, and machinery, equipment,
26 furniture, and fixtures or any part or accessory whether completed
27 or in the process of construction comprising an integrated whole,

1 the primary purpose and use of which is the engaging in a high-
2 technology activity, operation of a logistical optimization center,
3 **OPERATION OF QUALIFIED COMMERCIAL ACTIVITY**, the manufacture of
4 goods or materials, creation or synthesis of biodiesel fuel, or the
5 processing of goods and materials by physical or chemical change;
6 property acquired, constructed, altered, or installed due to the
7 passage of proposal A in 1976; the operation of a hydro-electric
8 dam by a private company other than a public utility; or
9 agricultural processing facilities. Industrial property includes
10 facilities related to a manufacturing operation under the same
11 ownership, including, but not limited to, office, engineering,
12 research and development, warehousing, or parts distribution
13 facilities. Industrial property also includes research and
14 development laboratories of companies other than those companies
15 that manufacture the products developed from their research
16 activities and research development laboratories of a manufacturing
17 company that are unrelated to the products of the company. For
18 applications approved by the legislative body of a local
19 governmental unit between June 30, 1999 and December 31, 2007,
20 industrial property also includes an electric generating plant that
21 is not owned by a local unit of government, including, but not
22 limited to, an electric generating plant fueled by biomass.
23 Industrial property also includes convention and trade centers over
24 250,000 square feet in size. Industrial property also includes a
25 federal reserve bank operating under 12 USC 341, located in a city
26 with a population of 750,000 or more. Industrial property may be
27 owned or leased. However, in the case of leased property, the

1 lessee is liable for payment of ad valorem property taxes and shall
2 furnish proof of that liability. Industrial property does not
3 include any of the following:

4 (a) Land.

5 (b) Property of a public utility other than an electric
6 generating plant that is not owned by a local unit of government
7 and for which an application was approved by the legislative body
8 of a local governmental unit between June 30, 1999 and December 31,
9 2007.

10 (c) Inventory.

11 (7) "Obsolete industrial property" means industrial property
12 the condition of which is substantially less than an economically
13 efficient functional condition.

14 (8) "Economically efficient functional condition" means a
15 state or condition of property the desirability and usefulness of
16 which is not impaired due to changes in design, construction,
17 technology, or improved production processes, or from external
18 influencing factors which make the property less desirable and
19 valuable for continued use.

20 (9) "Research and development laboratories" means building and
21 structures, including the machinery, equipment, furniture, and
22 fixtures located in the building or structure, used or to be used
23 for research or experimental purposes that would be considered
24 qualified research as that term is used in section 41 of the
25 internal revenue code, 26 USC 41, except that qualified research
26 also includes qualified research funded by grant, contract, or
27 otherwise by another person or governmental entity.

1 (10) "Manufacture of goods or materials" or "processing of
2 goods or materials" means any type of operation that would be
3 conducted by an entity included in the classifications provided by
4 sector 31-33 -- manufacturing, of the North American industry
5 classification system, United States, 1997, published by the office
6 of management and budget, regardless of whether the entity
7 conducting that operation is included in that manual.

8 (11) "High-technology activity" means that term as defined in
9 section 3 of the Michigan economic growth authority act, 1995 PA
10 24, MCL 207.803.

11 (12) "Logistical optimization center" means a sorting and
12 distribution center that supports a private passenger motor vehicle
13 assembly center and its manufacturing process for the purpose of
14 optimizing transportation, just-in-time inventory management, and
15 material handling, and to which all of the following apply:

16 (a) The sorting and distribution center is within 2 miles of a
17 private passenger motor vehicle assembly center that, together with
18 supporting facilities, contains at least 800,000 square feet.

19 (b) The sorting and distribution center contains at least
20 950,000 square feet.

21 (c) The sorting and distribution center has applied for an
22 industrial facilities exemption certificate after June 30, 2005 and
23 before January 1, 2006.

24 (d) The private passenger motor vehicle assembly center is
25 located on land conditionally transferred by a township with a
26 population of more than 25,000 under 1984 PA 425, MCL 124.21 to
27 124.30, to a city with a population of more than 100,000 that

1 levies an income tax under the city income tax act, 1964 PA 284,
2 MCL 141.501 to 141.787.

3 (13) "COMMERCIAL PROPERTY" MEANS THAT TERM AS DEFINED IN
4 SECTION 2 OF THE OBSOLETE PROPERTY REHABILITATION ACT, 2000 PA 146,
5 MCL 125.2782.

6 (14) "QUALIFIED COMMERCIAL ACTIVITY" MEANS COMMERCIAL PROPERTY
7 THAT MEETS ALL OF THE FOLLOWING:

8 (A) AN APPLICATION FOR AN EXEMPTION CERTIFICATE APPROVED BY
9 THE LOCAL GOVERNMENTAL UNIT IS FILED FOR APPROVAL BY THE STATE TAX
10 COMMISSION NOT LATER THAN APRIL 30, 2006.

11 (B) AT LEAST 90% OF THE PROPERTY, EXCLUDING THE SURROUNDING
12 GREEN SPACE, IS USED FOR WAREHOUSING, DISTRIBUTION, AND LOGISTICS
13 PURPOSES THAT PROVIDE FOOD FOR INSTITUTIONAL, RESTAURANT, HOSPITAL,
14 OR HOTEL CUSTOMERS.

15 (C) IS LOCATED WITHIN A VILLAGE AND IS WITHIN 15 MILES OF A
16 MICHIGAN STATE BORDER.

17 (D) OCCUPIES 1 OR MORE BUILDINGS OR STRUCTURES THAT TOGETHER
18 ARE GREATER THAN 300,000 SQUARE FEET IN SIZE.

19 Sec. 7. (1) Within 60 days after receipt of an approved
20 application or an appeal of a disapproved application that was
21 submitted to the commission before October 31 of that year, the
22 commission shall determine whether the facility is a speculative
23 building or designed and acquired primarily for the purpose of
24 restoration or replacement of obsolete industrial property or the
25 construction of new industrial property, and whether the facility
26 otherwise complies with section 9 and with the other provisions of
27 this act. If the commission so finds, it shall issue an industrial

1 facilities exemption certificate. Before issuing a certificate the
2 commission shall notify the state treasurer of the application and
3 shall obtain the written concurrence of the department of ~~consumer~~
4 ~~and industry services~~ **LABOR AND ECONOMIC GROWTH** that the
5 application complies with the requirements in section 9. Except as
6 otherwise provided in section 7a, the effective date of the
7 certificate for a replacement facility or new facility is the
8 immediately succeeding December 31 following the date the
9 certificate is issued. For a speculative building or a portion of a
10 speculative building, except as otherwise provided in section 7a,
11 the effective date of the certificate is the immediately succeeding
12 December 31 following the date the speculative building, or the
13 portion of a speculative building, is used as a manufacturing
14 facility.

15 (2) The commission shall send an industrial facilities
16 exemption certificate, when issued, by certified mail to the
17 applicant, and a certified copy by certified mail to the assessor
18 of the assessing unit in which the facility is located or to be
19 located, and that copy shall be filed in his or her office. Notice
20 of the commission's refusal to issue a certificate shall be sent by
21 certified mail to the same persons.

22 (3) Notwithstanding any other provision of this act, if on
23 December 29, 1986 a local governmental unit passed a resolution
24 approving an exemption certificate for 10 years for real and
25 personal property but the commission did not receive the
26 application until 1992 and the application was not made complete
27 until 1995, then the commission shall issue, for that property, an

1 industrial facilities exemption certificate that begins December
2 30, 1987 and ends December 30, 1997.

3 (4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, IF
4 PURSUANT TO SECTION 16A A LOCAL GOVERNMENTAL UNIT PASSED A
5 RESOLUTION APPROVING AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE
6 FOR A NEW FACILITY ON OCTOBER 14, 2003 FOR A CERTIFICATE THAT
7 EXPIRED IN DECEMBER 2002, THE COMMISSION SHALL ISSUE FOR THAT
8 PROPERTY AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE THAT BEGINS
9 ON DECEMBER 30, 2002 AND ENDS DECEMBER 30, 2009.