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BILL ANALYSIS

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Senate Bill 757 (as enacted)
Sponsor: Senator Jason E. Allen
Senate Committee: Commerce and Tourism
House Committee: Commerce

PUBLIC ACT 146 of 2007

Date Completed: 1-26-09

CONTENT

The bill amended the plant rehabilitation and industrial development Act to do the following:

- **Allow an exemption certificate to be approved for certain facilities that did not meet statutory requirements regarding the timing of restoration, replacement, or construction.**
- **Provide for the reinstatement and transfer of an industrial facilities exemption certificate that was awarded on December 8, 1998, but revoked on December 30, 2006, for the facility that was purchased by November 1, 2007.**

The Act, commonly referred to as PA 198, allows local units of government, with the approval of the State Tax Commission, to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a plant rehabilitation or industrial development district. A certificate essentially grants a property tax abatement to an industrial facility, which is subject to an industrial facilities tax that is lower than standard property taxes.

Approval of Exemption Certificates

Under the Act, except for an application for a speculative building, the legislative body of a local governmental unit may not approve an application and the State Tax Commission may not grant an industrial facilities exemption certificate unless the

applicant complies with various requirements, which include the following:

- The proposed facility must be located within a plant rehabilitation district or industrial development district that was duly established in an eligible local governmental unit upon a request filed, or by the local unit's own initiative taken, before the restoration, replacement, or construction of the facility commenced.
- The restoration, replacement, or construction of the facility must not have commenced earlier than six months before the application for the certificate was filed.

Additionally, except as otherwise provided, a request for the establishment of a proposed plant rehabilitation or industrial development district may be filed only in connection with a proposed replacement facility or new facility whose construction, acquisition, alteration, or installation has not commenced at the time the request is filed. The legislative body of a local governmental unit may not establish a plant rehabilitation or an industrial development district if it finds that the request for the district was filed after the commencement of construction, alteration, or installation of, or an acquisition related to, the proposed replacement facility or new facility.

Under the bill, these criteria do not apply to a facility located in an existing industrial development district owned by a person who filed or amended an application for an industrial facilities exemption certificate for

real property in April 2006, if the application was approved by the legislative body of the local governmental unit in September 2006 but not submitted to the State Tax Commission until November 2006.

The criteria also do not apply to a new facility located in an existing industrial development district owned by a person who filed or amended an application for an exemption certificate for personal property in June 2006, if the application was approved by the local unit's legislative body in August 2006 but not submitted to the State Tax Commission until 2007. The effective date of this certificate is December 31, 2006.

Further, the criteria do not apply to a new facility located in an industrial development district that was established by the legislative body of a local unit in September 2007 for construction that began in March 2007 and for which an application for an industrial facilities exemption certificate was filed in September 2007.

The criteria also do not apply to a facility located in an industrial development district established by the legislative body of a local unit in August 2007 and owned by a person who filed an application for an industrial facilities exemption certificate in June 2007 for equipment that was purchased in January 2007.

Transfer of Exemption Certificate

The bill specifies that, notwithstanding any other provision of the Act, if the State Tax Commission issued an industrial facilities exemption certificate for a new facility on December 8, 1998, but revoked the certificate effective December 30, 2006, and that new facility was purchased by a buyer on or before November 1, 2007, the Commission must issue for that property an industrial facilities exemption certificate that begins December 31, 1998, and ends December 30, 2010. The Commission must transfer that exemption certificate to the buyer of the facility. The new facility must be taxed under the Act as if it had been granted a certificate effective on December 31, 1998.

MCL 207.552 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will reduce State and local unit revenue and increase School Aid Fund expenditures by an unknown amount. The impact on State revenue depends on whether 0, 3, or 6 mills of the State education tax will be abated under the new provisions. Any reduction in local school district operating revenue will be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

The magnitude of the impact also depends upon the characteristics of the properties affected. To the extent that development would occur absent the bill, the bill will prevent revenue increases that otherwise would be received by entities with affected mills, such as community colleges and library authorities, as well as revenue to the local unit.

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.