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**BILL ANALYSIS**

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Senate Bill 1376 (as enacted)  
Sponsor: Senator Alan Sanborn  
Senate Committee: Economic Development and Regulatory Reform  
House Committee: Tax Policy

**PUBLIC ACT 457 of 2008**

Date Completed: 7-23-09

**CONTENT**

**The bill amended the plant rehabilitation and industrial development Act, commonly referred to as PA 198, to do all of the following:**

- **Revise the definition of "industrial property" by including certain convention and trade centers.**
- **Require the delivery of industrial facilities exemption certificates by mail rather than certified mail.**
- **Include a formula for determining the personal property tax component of an exemption certificate for a new facility or speculative building located on commercial property.**

The bill took effect on January 9, 2009.

Convention & Trade Centers

The Act allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in an industrial development district. A certificate essentially grants a property tax abatement for industrial property in a district, which is subject to an industrial facilities tax that is lower than standard property taxes. A local unit, by resolution of its legislative body, may establish a plant rehabilitation district or an industrial development district on its own initiative or upon a written request filed by the owner or owners of 75% of the State equalized valuation (SEV) of the industrial property located within a proposed district. The legislative body must set forth in its resolution a finding that at least 50% of the SEV of the industrial property within the

district is obsolete. With the approval of the State Tax Commission, local units that establish districts may grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in a district.

The Act's definition of "industrial property" previously included convention and trade centers over 250,000 square feet in size. Under the bill, that definition includes a convention and trade center in which construction begins by December 31, 2010, and that is over 250,000 square feet in size or, if located in a county with a population of more than 750,000 and less than 1.1 million, is over 100,000 square feet in size or, if located in a county with a population of more than 26,000 and less than 28,000, is over 30,000 square feet in size.

Mailing of Certificates

The Act requires the State Tax Commission to send an industrial facilities exemption certificate, when issued, to the applicant, and a certified copy to the assessor of the assessing unit in which the facility is located or to be located. Notice of the Commission's refusal to issue a certificate also must be sent to the same people.

Under the bill, those documents must be sent by mail, rather than certified mail as previously required.

Personal Property Tax Component Formula

The Act contains formulas for determining the amount of the industrial facilities tax

and, for taxes levied after December 31, 2007, for the personal property tax component of an exemption certificate for a new facility or speculative building that is sited on real property classified as *industrial* real property under the General Property Tax Act.

Under the bill, for taxes levied after December 31, 2007, for the personal property tax component of an industrial facilities exemption certificate for a new facility or a speculative building that is sited on real property classified as *commercial* real property under the General Property Tax Act, the amount of the industrial facility tax in each year must be determined by multiplying the taxable value of the facility excluding the land and the inventory personal property by the sum of one-half of the total mills levied as ad valorem taxes for that year by all taxing units within which the facility is located, other than the number of mills from which the property is exempt under Section 1211(1) of the Revised School Code (MCL 380.1211). (Under that section, certain property, including industrial personal property, is exempt from taxes levied for local school operating purposes.)

MCL 207.552 et al.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill will reduce the property taxes assessed on any new convention and trade center that meets each of the following conditions: 1) construction must begin before December 31, 2010, 2) it must be built in a plant rehabilitation or industrial development district, 3) the local unit of government must grant an exemption certificate and thus make the facility eligible for the industrial facilities tax, and 4) the convention facility must be located in Macomb County and be larger than 100,000 square feet or in Cheboygan, Dickinson, or Oceana County and be larger than 30,000 square feet. Under the industrial facilities tax, a new or replacement facility is assessed taxes equal to one-half of the local property taxes that would otherwise be assessed on the particular structure, excluding the land. The tax reduction does not apply to the State Education Tax. At this time, the only known convention facility being planned or constructed in these four

counties that could potentially qualify for the tax reduction provided under this bill is in Macomb County (Chesterfield Township). It is estimated that if this new convention center meets all of the requirements, it will realize an annual property tax reduction of \$100,000 to \$200,000.

Fiscal Analyst: Jay Wortley

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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.