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BILL ANALYSIS

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House Bill 5746 (Substitute H-3 as passed by the House)
Sponsor: Representative Frank Accavitti, Jr.
House Committee: Agriculture
Senate Committee: Economic Development and Regulatory Reform

Date Completed: 12-3-08

CONTENT

The bill would amend the Michigan Renaissance Zone Act to do both of the following:

- Allow the State Administrative Board to designate five additional renaissance zones for renewable energy facilities.**
- Require at least five renewable energy renaissance zones to focus primarily on cellulosic biofuels.**

The Act allows the State Administrative Board to designate up to 10 renaissance zones for renewable energy facilities, upon the recommendation of the Michigan Strategic Fund board, and upon the recommendation of the Agriculture Commission if the renewable energy facility uses agricultural crops or residues or processed products from agricultural crops as its primary raw material source. The bill would increase to 15 the maximum number of renaissance zones for renewable energy facilities that the State Administrative Board may designate.

The bill also would require that at least five of the renaissance zones for renewable energy facilities be designated for renewable energy facilities that focus primarily on the production of cellulosic biofuels.

MCL 125.2688e

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local property tax revenue and would increase School Aid Fund expenditures by an unknown amount. The actual amount would depend upon the specific characteristics of the property affected by the bill and the amount of property included in the additional renaissance zones. Under current law, property inside a renaissance zone is exempt from local property taxes and the State education tax, and individuals and businesses that reside in the zone are exempt from the single business tax and individual income taxes. Income exempted under the current zones is expected to reduce individual income tax revenue by approximately \$300,000 in fiscal year (FY) 2008-09.

Taxpayers located within a renaissance zone also are able to claim a credit against the Michigan business tax, which reduces State General Fund revenue. The amount of the

credit depends upon the business activity within the zone. Credits are expected to total \$35.7 million in FY 2008-09.

Current law requires the State to reimburse many of the property taxes lost as a result of any exemptions under the Act, including revenue to intermediate school districts, local school districts, community colleges, public libraries, and the State School Aid Fund. Local units are expected to lose \$75.0 million in local property taxes during FY 2008-09 due to renaissance zones. Most of that amount is subject to reimbursement: FY 2008-09 appropriations for renaissance zone reimbursements include \$3.8 million for libraries, \$3.5 million for community colleges, and \$57.5 million for K-12 education.

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.