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Senate Bill 126 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen
Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the plant rehabilitation and industrial development Act to reinstate and extend through the end of 2013 a provision under which a local legislative body could approve an exemption certificate for an electric generating plant not owned by a local unit of government. Currently, for exemption certificate applications approved by a local unit between June 30, 1999, and December 31, 2007, the definition of "industrial property" includes an electric generating plant that is not owned by a local unit of government, including a plant fueled by biomass. Under the bill, the definition would include such a plant, for applications approved through December 31, 2013.

MCL 207.552

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce local unit revenue, and increase required expenditures from the School Aid Fund (SAF), by an unknown amount. The bill also could reduce revenue to the SAF by an unknown amount under certain circumstances. The magnitude of the changes could be significant, but based on recent history the likely impact would be minimal.

Exemption certificates must be approved by the local unit where the property is located and, once approved, they reduce the non-State Education Tax (SET) property taxes by 50%. The State receives revenue from both the SET and the portion of property tax revenue attributable to mills levied for school operating purposes on nonhomestead property. The latter revenue source reflects a tax rate of 9 mills, because without the exemption certificate, the school district would receive 18 mills. As a result, the bill would increase revenue received by the State, assuming the investments would not occur absent the bill. However, the bill would reduce property tax revenue received by local units, including revenue from what would otherwise be 18 mills levied on nonhomestead property for school operating purposes. Reductions in local school district revenue would increase SAF expenditures in order to maintain per-pupil funding guarantees, and the magnitude of the change would be approximately 50% more than any increase in revenue from the SET. For new facilities, the State Treasurer may exclude half of the mills under the SET. If such an exemption were granted, the bill also would reduce School Aid Fund revenue.

The actual impact of the bill would depend on a number of circumstances, including the number of certificates granted between now and 2013, the value of the plants affected, and the average value per megawatt of capacity for those plants. To the extent that plants located in renaissance zones, the fiscal impact of the bill would be lower.

Date Completed: 2-11-09

Fiscal Analyst: David Zin

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