

Legislative Analysis



PA 198 ABATEMENT FOR HOTELS & MOTELS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4620

Sponsor: Rep. Hugh Crawford

Committee: Commerce

Complete to 6-6-11

A SUMMARY OF HOUSE BILL 4620 AS INTRODUCED 5-10-11

The bill would amend the Plant Rehabilitation and Industrial Development Act (commonly referred to as PA 198) to amend the definition of "industrial property" so as to include a hotel or motel attached to a convention and trade center.

PA 198 allows local units of government to grant industrial facility exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement on a facility (but not the land) for up to 12 years to an industrial facility, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. (For a rehabilitated facility, the tax is based on the value of property prior to renovation.) Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly. The State Treasurer can also allow the abatement of the State Education Tax.

Currently, under certain conditions, convention and trade centers are included in the definition of "industrial property." This applies to the following convention and trade centers: (1) a center where construction began no later than December 31, 2010, for a center over 250,000 square feet in size; (2) a center over 100,000 square feet in size if located in a county with a population of over 750,000 and less than 1.1 million; (3) a center over 30,000 square feet in size if located in a county with a population of more than 26,000 and less than 28,000. House Bill 4620 would also classify as "industrial property" a hotel or motel attached to an eligible convention and trade center.

FISCAL IMPACT:

The bill would allow for reductions in property taxes. The fiscal impact would depend on the specific characteristics of the properties. Any reduction in local and state school property taxes increases School Aid Fund expenditures (to make up lost local school revenue).

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

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