

Legislative Analysis



PA 198 POPULATION REQUIREMENT: FEDERAL RESERVE BANK

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House Bill 4788

Sponsor: Rep. Harvey Santana

Committee: Commerce

Complete to 6-21-11

A SUMMARY OF HOUSE BILL 4788 AS INTRODUCED 6-16-11

The Plant Rehabilitation and Industrial Development Act (commonly referred to as PA 198) allows local units of government to grant industrial facility exemption certificates to new and speculative buildings and to replacement facilities that meet certain criteria. The act provides a definition of "industrial property," and this definition determines which projects are eligible for the tax abatement. The term "industrial property" currently includes a federal reserve bank located in a city with a population of 750,000 or more. That was placed in the act by Public Act 280 of 2002. House Bill 4788 would lower the population standard to 600,000 or more. The provision would continue to apply only to the city of Detroit (whose population fell below 750,000 in the 2010 federal census).

As noted, 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.

FISCAL IMPACT:

The bill would keep an existing property tax abatement in place by adjusting the population requirement that determines eligibility.

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