

SENATE BILL No. 376

May 12, 2011, Introduced by Senator KOWALL and referred to the Committee on Economic Development.

A bill to amend 1974 PA 198, entitled

"An act to provide for the establishment of plant rehabilitation districts and industrial development districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to impose and provide for the disposition of an administrative fee; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of the state tax commission and certain officers of local governmental units; and to provide penalties,"

by amending section 2 (MCL 207.552), as amended by 2010 PA 273.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 2. (1) "Commission" means the state tax commission
2 created by 1927 PA 360, MCL 209.101 to 209.107.

3 (2) "Facility" means either a replacement facility, a new
4 facility, or, if applicable by its usage, a speculative building.

1 (3) "Next Michigan development corporation" means that term as
2 defined in section 3 of the next Michigan development act, **2010 PA**
3 **275, MCL 125.2953.**

4 (4) "Replacement facility" means 1 of the following:

5 (a) In the case of a replacement or restoration that occurs on
6 the same or contiguous land as that which is replaced or restored,
7 industrial property that is or is to be acquired, constructed,
8 altered, or installed for the purpose of replacement or restoration
9 of obsolete industrial property together with any part of the old
10 altered property that remains for use as industrial property after
11 the replacement, restoration, or alteration.

12 (b) In the case of construction on vacant noncontiguous land,
13 property that is or will be used as industrial property that is or
14 is to be acquired, constructed, transferred, or installed for the
15 purpose of being substituted for obsolete industrial property if
16 the obsolete industrial property is situated in a plant
17 rehabilitation district in the same city, village, or township as
18 the land on which the facility is or is to be constructed and
19 includes the obsolete industrial property itself until the time as
20 the substituted facility is completed.

21 (5) "New facility" means new industrial property other than a
22 replacement facility to be built in a plant rehabilitation district
23 or industrial development district.

24 (6) "Local governmental unit" means a city, village, township,
25 or next Michigan development corporation located in this state. For
26 purposes of this act, if a next Michigan development corporation
27 establishes a plant rehabilitation district or an industrial

1 development district, the next Michigan development corporation
2 shall act as the local governmental unit in establishing and
3 operating the plant rehabilitation district or the industrial
4 development district.

5 (7) "Industrial property" means land improvements, buildings,
6 structures, and other real property, and machinery, equipment,
7 furniture, and fixtures or any part or accessory whether completed
8 or in the process of construction comprising an integrated whole,
9 the primary purpose and use of which is the engaging in a high-
10 technology activity, operation of a strategic response center,
11 operation of a motorsports entertainment complex, operation of a
12 logistical optimization center, operation of qualified commercial
13 activity, operation of a major distribution and logistics facility,
14 the manufacture of goods or materials, creation or synthesis of
15 biodiesel fuel, or the processing of goods and materials by
16 physical or chemical change; property acquired, constructed,
17 altered, or installed due to the passage of proposal A in 1976; the
18 operation of a hydro-electric dam by a private company other than a
19 public utility; or agricultural processing facilities. Industrial
20 property includes facilities related to a manufacturing operation
21 under the same ownership, including, but not limited to, office,
22 engineering, research and development, warehousing, or parts
23 distribution facilities. Industrial property also includes research
24 and development laboratories of companies other than those
25 companies that manufacture the products developed from their
26 research activities and research development laboratories of a
27 manufacturing company that are unrelated to the products of the

1 company. For applications approved by the legislative body of a
2 local governmental unit between June 30, 1999 and December 31,
3 2007, industrial property also includes an electric generating
4 plant that is not owned by a local unit of government, including,
5 but not limited to, an electric generating plant fueled by biomass.
6 For an industrial development district created before July 1, 2010,
7 industrial property also includes an electric generating plant that
8 is fueled by biomass that is not owned by a unit of local
9 government if the electric generating plant involves the reuse of a
10 federal superfund site remediated by the United States
11 environmental protection agency and an independent study has
12 concluded that the electric generating plant would not have an
13 adverse effect on wood supply of the area from which the wood
14 supply of the electric generating plant would be derived. An
15 electric generating plant described in the preceding sentence is
16 presumed not to have an adverse impact on the wood supply of the
17 area from which the wood supply of the electric generating plant
18 would be derived if the company has a study funded by the United
19 States department of energy and managed by the department of
20 energy, labor, and economic growth that concludes that the electric
21 generating plant will consume not more than 7.5% of the annual wood
22 growth within a 60-mile radius of the electric generating plant.
23 Industrial property also includes convention and trade centers in
24 which construction begins not later than December 31, 2010 and is
25 over 250,000 square feet in size or, if located in a county with a
26 population of more than 750,000 and less than 1,100,000, is over
27 100,000 square feet in size or, if located in a county with a

1 population of more than 26,000 and less than 28,000, is over 30,000
2 square feet in size. **INDUSTRIAL PROPERTY ALSO INCLUDES A HOTEL OR**
3 **MOTEL ATTACHED TO A CONVENTION AND TRADE CENTER UNDER THIS ACT.**

4 Industrial property also includes a federal reserve bank operating
5 under 12 USC 341, located in a city with a population of 750,000 or
6 more. Industrial property may be owned or leased. However, in the
7 case of leased property, the lessee is liable for payment of ad
8 valorem property taxes and shall furnish proof of that liability.

9 For purposes of a local governmental unit that is a next Michigan
10 development corporation, industrial property includes only property
11 used in the operation of an eligible next Michigan business, as
12 that term is defined in section 3 of the Michigan economic growth
13 authority act, 1995 PA 24, MCL 207.803. Industrial property does
14 not include any of the following:

15 (a) Land.

16 (b) Property of a public utility other than an electric
17 generating plant that is not owned by a local unit of government as
18 provided in this subsection.

19 (c) Inventory.

20 (8) "Obsolete industrial property" means industrial property
21 the condition of which is substantially less than an economically
22 efficient functional condition.

23 (9) "Economically efficient functional condition" means a
24 state or condition of property the desirability and usefulness of
25 which is not impaired due to changes in design, construction,
26 technology, or improved production processes, or from external
27 influencing factors that make the property less desirable and

1 valuable for continued use.

2 (10) "Research and development laboratories" means building
3 and structures, including the machinery, equipment, furniture, and
4 fixtures located in the building or structure, used or to be used
5 for research or experimental purposes that would be considered
6 qualified research as that term is used in section 41 of the
7 internal revenue code, 26 USC 41, except that qualified research
8 also includes qualified research funded by grant, contract, or
9 otherwise by another person or governmental entity.

10 (11) "Manufacture of goods or materials" or "processing of
11 goods or materials" means any type of operation that would be
12 conducted by an entity included in the classifications provided by
13 sector 31-33 – manufacturing, of the North American industry
14 classification system, United States, 1997, published by the office
15 of management and budget, regardless of whether the entity
16 conducting that operation is included in that manual.

17 (12) "High-technology activity" means that term as defined in
18 section 3 of the Michigan economic growth authority act, 1995 PA
19 24, MCL 207.803.

20 (13) "Logistical optimization center" means a sorting and
21 distribution center that optimizes transportation and uses just-in-
22 time inventory management and material handling.

23 (14) "Commercial property" means that term as defined in
24 section 2 of the obsolete property rehabilitation act, 2000 PA 146,
25 MCL 125.2782.

26 (15) "Qualified commercial activity" means commercial property
27 that meets all of the following:

1 (a) At least 90% of the property, excluding the surrounding
2 green space, is used for warehousing, distribution, or logistic
3 purposes and is located in a county that borders another state or
4 Canada or for a communications center.

5 (b) Occupies a building or structure that is greater than
6 100,000 square feet in size.

7 (16) "Motorsports entertainment complex" means a closed-course
8 motorsports facility, and its ancillary grounds and facilities,
9 that satisfies all of the following:

10 (a) Has at least 70,000 fixed seats for race patrons.

11 (b) Has at least 6 scheduled days of motorsports events each
12 calendar year, at least 2 of which shall be comparable to nascar
13 nextel cup events held in 2007 or their successor events.

14 (c) Serves food and beverages at the facility during
15 sanctioned events each calendar year through concession outlets, a
16 majority of which are staffed by individuals who represent or are
17 members of 1 or more nonprofit civic or charitable organizations
18 that directly financially benefit from the concession outlets'
19 sales.

20 (d) Engages in tourism promotion.

21 (e) Has permanent exhibitions of motorsports history, events,
22 or vehicles.

23 (17) "Major distribution and logistics facility" means a
24 proposed distribution center that meets all of the following:

25 (a) Contains at least 250,000 square feet.

26 (b) Has or will have an assessed value of \$5,000,000.00 or
27 more for the real property.

1 (c) Is located within 35 miles of the border of this state.

2 (d) Has as its purpose the distribution of inventory and
3 materials to facilities owned by the taxpayer whose primary
4 business is the retail sale of sporting goods and related
5 inventory.