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BILL ANALYSIS



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House Bill 5439 (as passed by the House)
Sponsor: Representative Michael Webber
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-3-16

CONTENT

The bill would amend the Michigan Renaissance Zone Act to remove a restriction that prohibits a business that is located and conducts business activity within a renaissance zone designated under Section 8a(2) before December 1, 2010, from making a payment in lieu of taxes to any taxing jurisdiction within the qualified local governmental unit in which the renaissance zone is located.

Currently, a business that is located and conducts business activity within a renaissance zone designated under the Act, except as designated under Section 8a(2) before December 1, 2010, may not make a payment in lieu of taxes to any taxing jurisdiction within the qualified local governmental unit in which the renaissance zone is located.

The bill would delete the December 1, 2010, date. Under the bill, a business located and conducting business activity within a renaissance zone, except as designated under Section 8a(2), could not make a payment in lieu of taxes to any taxing jurisdiction within the qualified local governmental unit in which the renaissance zone is located.

Section 8a(2) authorizes the board of the Michigan Strategic Fund (MSF) to designate up to 27 renaissance zones (in addition to the other zones allowed to be designated under the Act) within Michigan in one or more cities, villages, or townships if that city, village, or township or combination of cities, villages, or townships consents to the creation of a renaissance zone within their boundaries. The zones that the board may designate under this section include the following:

- One alternative energy zone, which must promote and increase the research, development, testing, and manufacturing of alternative energy technology, systems, and vehicles, and must have a duration of renaissance zone status for up to 20 years as determined by the board of the Michigan Strategic Fund.
- Up to eight redevelopment renaissance zones, which must promote the redevelopment of existing industrial facilities or the development of property for industrial purposes.
- One pharmaceutical recovery renaissance zone, which must promote the development or redevelopment of existing underutilized facilities currently or formerly occupied by a pharmaceutical company.

At least three of the 10 additional renaissance zones created under Section 8a(2) on or after December 1, 2010, must be located in rural areas. (Previously, Section 8a(2) authorized the MSF board to designate an additional 17 zones. Public Act 277 of 2010 increased the number to 27.)

Before designating a renaissance zone under Section 8a(2), the MSF board may enter into a development agreement with the city, township, or village in which the renaissance zone will be located and the owner or developer of the facility or property located in the renaissance zone. The development agreement for a redevelopment renaissance zone in a city and county that meet certain population criteria may provide for the payment of one or more of the taxes described in Section 9. (Section 9 lists the exemptions, deductions, and audits available to an individual who is a resident of a renaissance zone or a business that is located and conducts business activity within a renaissance zone).

(Renaissance zones established under the Michigan Renaissance Zone Act are designated areas that are virtually tax-free for any business or resident located in or moving into one of the zones. Businesses and residents located in renaissance zones receive abatements from income, business, and property taxes in the form of exemptions, deductions, or credits. Renaissance zones may be designated for up to 15 years.)

MCL 125.2686

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

There is potential for an increase in State and local revenue to the extent that certain renaissance zone designations by the Michigan Strategic Fund would include provisions for a business or developer within the zone to make payments in lieu of taxes pursuant to the authority in the bill. For the renaissance zones designated under Section 8a(2), the MSF would be allowed, but not required, to enter into a development agreement with the city, village, or township in which the renaissance zone is located and the owner or developer of the property or facility that will be located in the renaissance zone. The units of government that would receive payments in lieu of taxes and the amount of those payments would be determined by the development agreement.

Fiscal Analyst: Elizabeth Pratt

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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.