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BILL ANALYSIS



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House Bill 5415 (Substitute H-1 as reported with amendment)
Sponsor: Representative Gene DeRossett
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would amend the plant rehabilitation and industrial development Act (also known as P.A. 198) to allow a local unit of government to terminate a plant rehabilitation district or industrial development district by resolution of the local unit's legislative body, if no industrial facilities exemption certificates were in effect in the district at the time.

Before acting on a proposed resolution terminating a district, the local governmental unit would have to give at least 14 days' notice by certified mail to the owners of all real property within the district. The local unit also would have to hold a public hearing on the district's termination at which those owners and other residents or taxpayers of the local governmental unit, or others, would have a right to appear and be heard.

(Under the Act, when an exemption certificate is granted for a facility, the facility is exempt from ad valorem property taxes, and is subject to a specific industrial facility tax. For a new facility, the specific tax is approximately 50% of the amount of the property tax.)

MCL 207.554

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no effect on current State or local revenue or expenditures. However, it could prevent future reductions in State and local unit revenue and certain future increases in School Aid Fund expenditures. Exemption certificates generally are granted whenever a taxpayer qualifies for a certificate and seeks to obtain one. If a local unit does not approve a certificate for a qualified taxpayer, the disapproval is generally appealed and it is typical for the taxpayer ultimately to receive a certificate valid for at least some period of time as long as the taxpayer meets the qualifications to receive a certificate. As a result, the only way a local unit can effectively prevent exemption certificates is to eliminate the district.

Exemption certificates reduce local unit revenue and can reduce State education tax revenue. To the extent that a certificate reduces local school district revenue, expenditures from the School Aid Fund are increased to maintain a school's guaranteed per-pupil funding level. By allowing local units to terminate districts that do not have an effective certificate in operation, the bill would enable local units to eliminate the possibility that future certificates will be sought and received if the local unit does not wish to grant certificates.

Date Completed: 11-12-04

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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