

Legislative Analysis



PA 198 EXEMPTION

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Senate Bill 345

Sponsor: Sen. Alan L. Cropsy

House Committee: Commerce

Senate Committee: Commerce and Tourism

Complete to 6-11-07

A SUMMARY OF SENATE BILL 345 AS PASSED BY THE SENATE 3-27-07

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, to provide an exception to standard requirements in the act for property tax abatements. The bill would allow an abatement for a facility located in an existing development district owned by a person who filed or amended an application for a certificate for personal property in June 2006 if the application was approved by the local governing body in August 2006 but not submitted to the State Tax Commission until 2007.

PA 198 allows local units of government to grant industrial facilities 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 act contains the process and timeline to be followed and the requirements that must be met for a certificate to be granted. However, the act also contains provisions aimed at allowing exceptions to the normal procedures in specified cases. Senate Bill 345 would be an addition to those exceptions.

[According to testimony in the Senate, as reported by the Senate Fiscal Agency, the bill applies to the CME Corporation, a manufacturing company in Mount Pleasant.]

MCL 207.559

FISCAL IMPACT:

The bill would reduce State of Michigan and Mt. Pleasant area local revenue by an indeterminate amount. Any reduction in the six-mill State Education Tax would result in increased expenditures from the Michigan School Aid Fund to maintain the per-pupil funding guarantees.

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