

Legislative Analysis



PA 198 EXEMPTIONS

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Senate Bill 757

Sponsor: Sen. Jason E. Allen

House Committee: Commerce

Senate Committee: Commerce and Tourism

Complete to 10-30-07

A REVISED SUMMARY OF SENATE BILL 757 AS PASSED BY THE SENATE 9-12-07

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, to provide three exceptions to the standard requirements in the act for granting property tax abatements. The bill would allow PA 198 abatements to be granted in three cases where procedural requirements of the act were not met.

(1) An abatement could be granted for a facility located in an existing development district owned by a person who filed or amended an application for a certificate for real property in April 2006 if the application was approved by the local governing body in September 2006 but not submitted to the State Tax Commission until November 2006. (This abatement reportedly applies to a manufacturer in Monroe County.)

(2) An abatement could be granted for a new 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. The effective date of the certificate would be December 31, 2006. (Another bill, Senate Bill 345, also addresses this case, which reportedly applies to a manufacturer in Mt. Pleasant.)

(3) An abatement beginning December 31, 1998 and ending December 30, 2010 would be granted for certain specified property and then transferred to a new buyer if the facility was purchased by that buyer on or before November 1, 2007. This would apply if the State Tax Commission had issued an exemption certificate for a new facility on December 8, 1998 and then revoked it as of December 30, 2006. The new facility in this case would be taxed as if it had been granted an exemption certificate effective December 31, 1998. (This provision is said to apply to a microbrewery in Webberville.)

MCL 207.553 and 559

BACKGROUND INFORMATION:

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 to an industrial facility

(but not the land) for up to 12 years, 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 numerous provisions aimed at allowing exceptions to the normal procedures in specified cases. Senate Bill 757 would add three new exceptions.

FISCAL IMPACT:

The bill would reduce State of Michigan and local revenue in Mt. Pleasant, Webberville and Monroe 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. Excluding the six mill State Education Tax, the value of the annual local property tax revenue reduction, including the applicable county tax, is estimated to be approximately \$100,000 for Mt. Pleasant; \$36,000 for Monroe; and \$47,000 for Webberville.

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