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BILL ANALYSIS

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Senate Bill 536 (as enacted) **PUBLIC ACT 274 of 2014**
Sponsor: Senator John Proos
Senate Committee: Finance
House Committee: Tax Policy

Date Completed: 1-6-15

CONTENT

The bill amended the General Property Tax Act to allow a local tax collecting unit, with the State Treasurer's approval, to exempt from the collection of taxes under the Act, for up to seven years, specific property of an eligible economic development group (a nonprofit organization whose primary purpose is the economic development of real property or combining parcels of real property for economic development purposes), subject to the ability of a county to withdraw mills levied by the county from the exemption.

Specifically, the bill added Section 7tt to the Act to allow the governing body of a local tax collecting unit to adopt a resolution to exempt from the collection of taxes under the Act specifically identified real and personal property owned by an eligible economic development group. The resolution must set forth the period during which the property will be exempt, which may not exceed seven years. If the resolution is approved, the exemption will be effective on the December 31 following the adoption of the resolution, and will continue in effect through December 30 in the final year of exemption.

The resolution may include terms and conditions of a development agreement with the eligible economic development group upon which the exemption is predicated.

Before acting on the resolution, the clerk of the local tax collecting unit must give written notice to its assessor and the legislative body of each taxing unit that levies ad valorem property taxes in that local tax collecting unit. The governing body must give the assessor and a representative of the affected taxing units an opportunity for a hearing, before the governing body acts on the resolution. A copy of the resolution also must be filed with the State Tax Commission, the State Treasurer, and all affected taxing units. The resolution will not be effective unless approved as described below.

Within 60 days after receiving a copy of the resolution, the State Tax Commission must determine whether the real and personal property subject to the exemption is owned by an eligible economic development group. If the Commission determines that it is, the State Treasurer must approve the resolution, if he or she determines that exempting the property is necessary to reduce unemployment, promote economic growth, and increase capital investment in the State.

Within 45 days after the State Treasurer approves the resolution, the county in which the local tax collecting unit is located may, by resolution, elect to withdraw all mills levied by that county from the exemption. If the county does so, the local tax collecting unit must levy and collect all mills levied by that county on the real and personal property owned by an eligible economic development group identified in the local unit's resolution. A copy of the county's resolution must be filed with the local tax collecting unit, the State Tax Commission, and the State Treasurer.

The State Tax Commission must report annually to the Senate Finance Committee and the House Tax Policy Committee the total number of eligible economic development groups that are receiving an exemption under Section 7tt.

The bill took effect on July 2, 2014.

MCL 211.7tt Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill will reduce local property tax revenue by an unknown and, for specific local units, potentially significant amount that will depend on the specific characteristics of affected property. The bill places no requirements or qualifications on eligible taxpayers beyond being approved nonprofit organizations with the primary purpose of redeveloping real property or combining parcels for redevelopment. The bill also does not limit the number of such approved organizations or the value of property, either per approved organization or in aggregate, that may be exempted.

In addition, the bill does not specify any criteria property must meet in order to be included in a resolution or any thresholds that will have to be met for the State Treasurer's approval, except that the exemption is necessary to accomplish certain economic development goals.

The exemption will affect all levies assessed against affected property, not just taxes levied by the tax collecting unit approving the resolution. As a result, if a township or city approves a resolution, the exemption will affect not only taxes levied by the township or city, but also county taxes, taxes levied by authorities such as park, transportation, and library authorities, the State Education Tax, school operating and debt mills, and any other levy collected under the General Property Tax Act. However, the bill requires that local units levying taxes on any affected property be notified of the hearing to approve the resolution. The bill also allows county governments to adopt a resolution opting out of the exemption.

Because the bill will reduce revenue from local school operating mills, it also will require School Aid Fund expenditures to increase by an unknown amount if per-pupil funding guarantees is to be maintained.

Fiscal Analyst: David Zin