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BILL ANALYSIS

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House Bill 4580 (Substitute H-2 as passed by the House)
Sponsor: Representative Andy Schor
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 5-2-16

CONTENT

The bill would amend the General Property Tax Act to do the following:

-- **After December 31, 2016, prohibit the governing body of an eligible local assessing district from adopting a resolution exempting new personal property from the collection of taxes without a written agreement entered into with the eligible business subject to the exemption, and require the written agreement to contain a remedy provision with certain tax exemption revocation requirements.**
-- **Require a written agreement entered into after December 31, 2016, between a Next Michigan Development Corporation and an eligible Next Michigan business subject to an exemption to include additional tax exemption revocation provisions.**

Section 9f of the Act allows the governing body of an eligible local assessing district, or the board of a Next Michigan Development Corporation (NMDC), to adopt a resolution exempting from the collection of taxes under the Act all new personal property leased or owned by an eligible business located in an eligible district (e.g., an industrial development district, a renaissance zone, an enterprise zone, or a brownfield redevelopment zone). An "eligible local assessing district" is a city, village, or township that contains an eligible distressed area or that is a party to an intergovernmental agreement creating an NMDC; or a city, village, or township that is located in a county that borders another state or Canada and meets other criteria. An eligible business is a business engaged primarily in manufacturing, mining, research and development, wholesale trade, office operations, or the operation of a facility for which the business owning or operating the facility is an eligible taxpayer. For purposes of an NMDC, only an eligible Next Michigan business is an eligible business.

Eligible Local Assessing District Agreements

Under the bill, after December 31, 2016, the governing body of an eligible local assessing district could not adopt a resolution under Section 9f exempting new personal property from the collection of taxes without a written agreement entered into with the eligible business subject to the exemption. The written agreement would have to contain a remedy provision that included, but would not be limited to, the following:

-- A requirement that the exemption under Section 9f would be revoked if the eligible business were determined to be in violation of the written agreement.
-- A requirement that the eligible business could be required to repay all or part of the personal property taxes exempted under Section 9f if the eligible business were determined to be in violation of the agreement.

-- A requirement that the exemption under Section 9f would be revoked if the eligible business were determined to be in violation of the provisions concerning the exemption set forth in the resolution.
-- A requirement that the exemption would be revoked if continuance of the exemption would be contrary to any of the requirements of Section 9f, including the requirement that the eligible business be an eligible business or an acquiring eligible business.

("Acquiring eligible business" is defined as an eligible business that purchases or leases assets of an existing eligible business, including the purchase or lease of new personal property exempt under Section 9f, and that will conduct business operations similar to those of the existing eligible business at its location within the eligible district. Subject to certain provisions, an exemption granted to an existing eligible business must continue in effect for the new personal property purchased or leased from the existing eligible business by the acquiring eligible business and for any new personal property purchased or leased by the acquiring business.)

Next Michigan Business Agreements

An NMDC may adopt a resolution exempting new personal property from the collection of taxes under the Act only for new personal property located in a Next Michigan development district, and may not adopt a resolution exempting new personal property from those taxes without a written agreement entered into with the eligible Next Michigan business subject to the exemption. The written agreement must contain a remedy provision that includes, but is not limited to, both of the following:

-- A requirement that the exemption under Section 9f is revoked if the eligible Next Michigan business is determined to be in violation of the written agreement.
-- A requirement that the eligible Next Michigan business may be required to repay all or a part of the personal property taxes exempted under Section 9f if it is determined to be in violation of the agreement.

The bill also would require the remedy provision of the written agreement to include the following for an agreement entered into after December 31, 2016:

-- A requirement that the exemption under Section 9f would be revoked if the eligible Next Michigan business were determined to be in violation of the provisions concerning the exemption set forth in the resolution.
-- A requirement that the exemption be revoked if continuance of the exemption would be contrary to any of the requirements under Section 9f, including the requirement that the eligible Next Michigan business be an eligible business or an acquiring eligible business.

("Eligible Next Michigan business" means that term as defined under the Michigan Economic Growth Authority Act, i.e., a business engaged in the shipment of tangible personal property via multimodal commerce; a supply chain business providing a majority of its services to businesses engaged in the shipment of tangible personal property, including inventory, via multimodal commerce; a manufacturing or assembly facility receiving a majority of its production components via multimodal commerce; a manufacturing or assembly facility shipping a majority of products via multimodal commerce; or a light manufacturing or assembly facility that packages, kits, labels, or customizes products and ships those products via multimodal commerce.

"Next Michigan development corporation" means that term as defined under the Next Michigan Development Act, i.e., an eligible act 7 entity or an eligible urban entity that meets certain requirements under the Act and is designated as an NMDC by the board of the Michigan Strategic Fund. An "eligible act 7 entity" is a separate legal and administrative entity formed by interlocal agreement under the Urban Cooperation Act among two or more local governmental units, including at least one county and at least one qualified local government unit under the Obsolete Property Rehabilitation Act, for the purpose of jointly exercising economic development powers and attracting business. "Eligible urban entity" means a city with a population of 100,000 or more that is the largest city within a metropolitan statistical area as defined by the U.S. Office of Management and Budget.)

MCL 211.9f Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would increase State and local revenue in future years by an unknown and likely small amount due to the proposed requirements for written agreements on exemptions of new personal property by a Next Michigan development district or an eligible local assessing district. The written agreements would be required to include provisions for revocation of personal property tax exemptions in case of a violation of the written agreement, and for the repayment of all or a part of personal property taxes exempted. The amount of any additional revenue would depend on the terms of the written agreements, the frequency with which agreements were violated, and ability to collect repayments.

Fiscal Analyst: Elizabeth Pratt