

Legislative Analysis



TOOL AND DIE FOLLOW-UP

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House Bill 5243 (Substitute H-2)
Sponsor: Rep. David Palsrok
Committee: Commerce
First Analysis (5-27-04)

BRIEF SUMMARY: The bill would essentially provide that the recent tax advantages provided to eligible tool and die companies would also apply to those tool and die businesses that operated on leased property for which they are liable for property taxes.

FISCAL IMPACT: As noted with the original tool and die legislation, the bill would reduce the tax liability of tool and die companies. The impact depends on the number and degree to which local governments participate.

THE APPARENT PROBLEM:

Recent legislation allowed for the creation of up to 20 tool and die recovery zones where eligible business would be granted virtually tax-free status for up to 15 years. The Michigan Strategic Fund designates the zones, which can only exist with local government consent. In crafting the legislation, policymakers overlooked a certain class of tool and die maker. To qualify for inclusion in a zone at present, property must be owned by the tool and die business and used for tool and die purposes. Some companies reportedly lease the property where they conduct operations, although they remain responsible for property taxes on the property. Legislation has been drafted that will allow such businesses to participate in the tool and die recovery zone program.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Renaissance Zone Act to make certain property eligible for designation as a tool and die recovery zone. The additional property would be property leased by one or more qualified tool and die business for which that business is liable for ad valorem property taxes and that is used by the business or businesses primarily for tool and die business operations. A business would have to furnish proof of its ad valorem property tax liability.

Currently, the act only allows property owned by one or more qualified tool and die businesses and used by those qualified businesses primarily for tool and die business operations. The bill would provide a definition of the term “qualified tool and die business property” that would cover both property owned and property leased by a tool and die business.

MCL 125.2688d

ARGUMENTS:

For:

The bill would correct what has been described as an oversight in the recently enacted tax relief package for tool and die companies. It would extend tax benefits to companies that lease the property in which they conduct operations if they are liable for property taxes on the property. Supporters say this is in the spirit of the original intent of the legislation.

POSITIONS:

The Michigan Manufacturers Association testified in support of the bill. (5-26-04)

Legislative Analyst: Chris Couch
Fiscal Analyst: Rebecca Ross

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