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BILL ANALYSIS

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House Bill 5243 (Substitute S-1 as reported)
Sponsor: Representative David Palsrok
House Committee: Commerce
Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Michigan Renaissance Zone Act to allow the Michigan Strategic Fund Board to designate a tool and die renaissance recovery zone on property leased by a qualified tool and die business, as well as on property owned by a qualified business (as presently allowed). The bill also would authorize the Board to revoke a recovery zone designation with respect to one or more qualified tool and die businesses if they failed or ceased to participate in or comply with a "qualified collaborative agreement" (i.e., an agreement that demonstrates synergistic opportunities such as sales and marketing efforts, development of tooling standards, and improved ability for specialized shops to compete).

MCL 125.2688d

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

Public Act 266 of 2003 established tool and die renaissance recovery zones, in which qualified businesses are exempt from State and local property taxes, State and local income taxes, local utility taxes, and the State single business tax. Without regard to assumptions about property ownership and leasing arrangements, it is assumed that approximately 900 of the estimated 1,300 tool and die businesses with fewer than 50 employees would meet the qualifications for being in a zone, including the requirement to be in a "collaboration" agreement with other tool and die businesses, and it is assumed that they have been or will be approved by local governments to be included in a renaissance recovery zone, as required by Public Act 266. Compared with current law and to the extent these properties receive the exemption, the bill would reduce revenue to local units and the State by an unknown amount, as well as increase School Aid Fund expenditures by an unknown amount. If 10% of the property assumed to be eligible for the exemptions were leased and met the qualifications under the bill, the bill would reduce tax revenue approximately as follows:

- Local property taxes by \$1.5 million.
- Local school 18-mill tax by \$1.0 million.
- State education property tax by \$0.3 million
- Community college property taxes by \$0.1 million.
- Local income tax revenue by \$0.1 million.
- Single business tax revenue by \$0.9 million.

In addition, School Aid Fund expenditures would increase by \$1.1 million because under existing law local schools and community colleges must be reimbursed for the property tax revenue they lose as a result of exempt property within the zones.

Date Completed: 6-18-04

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.