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BILL ANALYSIS

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House Bill 5415 (Substitute H-1 as passed by the House)
Sponsor: Representative Gene DeRossett
House Committee: Commerce
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 11-10-04

CONTENT

The bill would amend the plant rehabilitation and industrial development Act (also known as P.A. 198) to allow a local unit of government to terminate a plant rehabilitation district or industrial development district by resolution of the local unit's legislative body, if there were no industrial facilities exemption certificates in effect in the district on the date of the resolution.

Under the Act, a local governmental unit may establish a plant rehabilitation or industrial development district by a resolution of its legislative body. The legislative body may establish a district on its own initiative or upon a written request filed by the owner or owners of 75% of the State equalized value of the industrial property located within a proposed district. Before adopting a resolution establishing a district, the legislative body must give written notice to the owners of all real property within the proposed district and hold a public hearing on the district's establishment at which those owners and other residents or taxpayers of the local governmental unit have a right to appear and be heard. In its resolution, the legislative body must set forth a finding and determination that property comprising at least 50% of the State equalized valuation of the industrial property within the district is obsolete.

Once a district is established, the owner or lessee of a facility may apply to the local unit of government for an industrial facilities exemption certificate. If a certificate is granted, the facility is exempt from ad valorem property taxes, and is subject to a specific industrial facility tax. For a new facility, the specific tax is approximately 50% of the amount of the property tax.

Under the bill, before acting on a proposed resolution terminating a district, the local governmental unit would have to give at least 14 days' notice by certified mail to the owners of all real property within the district. The local unit also would have to hold a public hearing on the district's termination at which those owners and other residents or taxpayers of the local governmental unit, or others, would have a right to appear and be heard.

MCL 207.554

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would have no effect on current State or local revenue or expenditures. However, the bill could prevent future reductions in State and local unit revenue and certain future increases in School Aid Fund expenditures. Exemption certificates generally are granted

whenever a taxpayer qualifies for a certificate and seeks to obtain one. If a local unit does not approve a certificate for a qualified taxpayer, the disapproval is generally appealed and it is typical for the taxpayer ultimately to receive a certificate valid for at least some period of time as long as the taxpayer meets the qualifications to receive a certificate. As a result, the only way a local unit can effectively prevent exemption certificates is to eliminate the district.

Exemption certificates reduce local unit revenue and can reduce State education tax revenue. To the extent that local school district revenue is reduced by a certificate, expenditures from the School Aid Fund are increased in order to maintain a school's guaranteed per-pupil funding level. By allowing local units to terminate districts that do not have an effective certificate in operation, the bill would enable local units to eliminate the possibility that future certificates will be sought and received if the local unit does not wish to grant certificates.

The fiscal impact is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin