

MODIFY TAX EXEMPTION FOR DATA CENTERS IN RENAISSANCE ZONES

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Senate Bill 455 (H-1) as referred to second House committee

Analysis available at
<http://www.legislature.mi.gov>

Sponsor: Sen. Jim Stamas

1st House Committee: Commerce and Tourism

2nd House Committee: Ways and Means

Senate Committee: Economic and Small Business Development

Complete to 11-6-19

SUMMARY:

Senate Bill 455 would amend the General Property Tax Act to modify the tax exemption for eligible *data centers* located in a *renaissance zone*.

A *data center* is a building used to house large computer systems, such as those used by telecommunications and IT companies.

A *renaissance zone* is one of many zones designated by the Michigan Renaissance Zone Act to receive tax incentives for the purpose of economic development and revitalization efforts.

Specifically, the bill would exempt *eligible data center property* located at the site of a renaissance zone that was approved in 2016 by the Michigan Strategic Fund with a minimum investment of \$100 million from the following taxes levied after December 31, 2016:

- Ad valorem property taxes levied by local government units to pay the principal and interest of their obligations.
- Regional enhancement property taxes, certain mills for operating purposes, and sinking fund taxes from the revised school code.

The bill would define *eligible data center property* as all personal property located in the qualified data center.

Regarding these exemptions, the bill would consider the site of a renaissance zone approved in 2016 to continue to be considered as approved in 2016 if the site was subsequently approved as a renaissance zone for the same entity in any future year.

MCL 211.7ff

FISCAL IMPACT:

As written, the bill can be expected to reduce TY 2019 Caledonia school debt and Kent ISD millages by approximately \$242,000 in Gaines Township. Prior year amounts totaled approximately \$95,000. Future amounts cannot be determined because the value of the

qualifying property is not known, although the forgone revenue would be expected to increase as additional investment occurs.

Because the millage rate for school debt can be increased to compensate for a reduction in taxable value, the expanded exemption would represent a tax increase of about \$215,000 in TY 2019 for those paying the Caledonia school debt millage. The approximately \$27,000 levy for the Kent ISD would not be offset by a millage increase and would therefore be a revenue loss to the ISD.

POSITIONS:

Representatives of the following organizations testified in support of the bill (10-31-19):

- Switch
- Grand Rapids Chamber of Commerce
- Michigan Chamber of Commerce

MICHAuto indicated support for the bill. (10-31-19)

The Caledonia Community Schools indicated a neutral position on the bill. (10-31-19)

Representatives of the Michigan Association of School Boards testified in opposition to the bill. (10-31-19)

The following organizations indicated opposition to the bill (10-31-19):

- Michigan Association of Secondary School Principals
- International Brotherhood of Electoral Workers
- Michigan Association of Superintendents and Administrators
- American Federation of Teachers

Legislative Analyst: Nick Kelly
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.