



**House
Legislative
Analysis
Section**

Olds Plaza Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

PA 198 EXCEPTIONS

**House Bill 5963 (Substitute H-1)
First Analysis (9-12-96)**

**Sponsor: Robert Brackenridge
Committee: Local Government**

THE APPARENT PROBLEM:

The plant rehabilitation and industrial development act (Public Act 198 of 1974) allows local units of government to grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a specific tax instead of property taxes. The act contains the process that must be followed and the requirements that must be met for a certificate to be awarded. Approval is required first at the local level and then by the State Tax Commission. The local unit must forward an approved application to the state. The act requires, among other things, that the commencement of the restoration, replacement, or construction of the facility occur not earlier than six months before the filing of the application for the exemption certificate with the local unit. Numerous exceptions have been written into the statute in the past to cover cases where all parties were agreeable to the granting of an exemption but through errors or misunderstandings the technical requirements of the law were not met. Two new such cases have recently come to light, according to testimony before the House Local Government Committee. In one case involving the city of Pontiac and the Dana Corporation, the local unit did not forward an exemption application it had approved in 1986 to the state until 1995, after the corporation had been notified that its exemption was invalid because it had not been sent to the state. In a second case, involving the city of Romulus, Ashley Capital, and the Adistra Corporation, the exemption application reportedly was made eight days late.

THE CONTENT OF THE BILL:

House Bill 5963 would amend the plant rehabilitation and industrial development act to allow two exceptions to the act's procedural requirements. The exceptions would apply to:

1) a case in which a local unit passed a resolution on December 29, 1986 approving an exemption certificate for 10 years, but the state tax commission did not receive notice of the local unit's approval until 1995. The

certificate would be in effect beginning December 30, 1987 and ending December 30, 1997.

2) a facility located in an existing industrial development district occupied by a person who filed an application for a certificate in June of 1995 if the application was approved by the local unit in October of 1995 for construction that began in November or December of 1994.

MCL 207.557 and 559

FISCAL IMPLICATIONS:

The House Fiscal Agency has noted, in a fiscal note addressing an earlier version of the bill, that the revenue impact is indeterminate based on the number of certificates to be issued and whether the exemption was already being granted at the local level in the interim. (Fiscal Note dated 9-9-96.) In at least one of the cases involved, the company has been enjoying the abatement for some time. According to testimony before the House Local Government Committee, the Dana Corporation plant in Pontiac has been receiving an abatement since 1987 that is due to expire in 1997, and the bill would allow them to maintain it.

ARGUMENTS:

For:

The bill would allow two industrial property tax abatements to be validated, one in Pontiac and one in Romulus, as exceptions to the technical requirements of Public Act 198. There are a number of precedents for this. The legislature has on numerous occasions provided this kind of exception in cases where the spirit of the abatement law has been met but certain technical requirements have not been met.

Against:

While it is true that these exceptions have become common practice, it remains the case that the legislature has put into statute a specific process containing specific

House Bill 5963 (9-12-96)

deadlines for a reason, and it should not too be much to ask for companies and local units of government to follow the law when seeking and granting property tax exemptions.

POSITIONS:

Representatives from the companies affected by the bill, the Dana Corporation, Ashley Capital, and Adistra, testified in support of the bill. (9-11-96)

The Department of Treasury testified in opposition to the bill. (9-11-96)

Analyst: C. Couch

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