

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 625 (Substitute S-1 as reported)

Sponsor: Senator Bill Schuette

Committee: Economic Development, International Trade and Regulatory Affairs

CONTENT

The bill would amend the Michigan Renaissance Zone Act to do the following:

- Allow the State Administrative Board to designate up to nine additional renaissance zones.
- Allow the Board of the Michigan Strategic Fund to designate an additional five zones.
- Allow any city, village, or township to apply for renaissance zone status, and eliminate the ability of counties to apply.
- Allow the Legislature to reject an additional designation made by the State Administrative Board or the Michigan Strategic Fund Board.
- Provide that a zone could contain up to 10 (rather than six) distinct geographic areas, and allow local units to designate additional areas until December 31, 2002.
- Require each geographic area to be at least five acres in size, but permit a local unit to designate four areas with no minimum size requirement.

MCL 125.2683 et al.

Legislative Analyst: S. Lowe

FISCAL IMPACT

In FY 1997-98, 133 income tax filers and 123 single business tax filers claimed the renaissance zone credit, and realized a total tax savings of \$1.7 million. In addition, State government reimbursed K-12 school districts, intermediate school districts, community colleges, and public libraries \$2.4 million for the property taxes they lost due to the 11 existing renaissance zones. Therefore, the direct cost to State government due to the special tax reductions granted to businesses and people living in renaissance zones totaled an estimated \$4.1 million in FY 1997-98. Establishing up to 14 new renaissance zones, and expanding the duration of the existing renaissance zones, as proposed in Senate Bill 625, would have a fiscal impact on State government; however, it is very difficult to estimate what the additional fiscal impact would be because it is not known: 1) where these new renaissance zones would be located, 2) how many businesses would be attracted to these new renaissance zones, 3) the size of the businesses that would be attracted to these renaissance zones, 4) the number of people living in these yet-to-be-determined new renaissance zones and their average income, and 5) how many new businesses would be attracted to the existing renaissance zones due to the changes proposed in this bill. Assuming the new renaissance zones attracted businesses, and had people living in them, in the same proportion as the existing zones, this bill would result in a direct cost to State government of an estimated \$5.2 million; however, because there are so many unknown factors that would affect the direct cost to State government, the actual fiscal impact could be much smaller or much larger than this amount.

Date Completed: 6-7-99

Fiscal Analyst: J. Wortley

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Analysis available @ <http://www.michiganlegislature.org>

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