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**SFA****BILL ANALYSIS**

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House Bill 4733 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Representative Clark Bisbee

House Committee: Economic Development

Senate Committee: Economic Development, International Trade and Regulatory Affairs

## **CONTENT**

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

- Define "qualified local governmental unit" as a county, city, village, or township (rather than a county or a city, village, or township that contains an eligible distressed area).
- Provide that the State Administrative Board could designate up to nine additional renaissance zones, as well as additional zones in local units containing a military installation that closed after 1990.
- Allow the Michigan Strategic Fund Board to designate up to five additional renaissance zones in one or more cities, villages, or townships, if the local unit or combination of local units consented to the creation of a renaissance zone within its boundaries.

The bill is tie-barred to Senate Bill 625, which (as passed by the Senate) would increase the number of subzones that a renaissance zone may contain; decrease the minimum size of a subzone; allow a qualified local unit containing a renaissance zone to designate additional subzones, and to extend renaissance zone status until 2017; and provide that a professional sports team or stadium would not be eligible for the tax reductions allowed under the Act.

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 saving 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 cost, the actual fiscal impact could be much smaller or much larger than this amount.

Date Completed: 6-9-99

Fiscal Analyst: J. Wortley

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

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