



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5206 (as passed by the House)

Sponsor: Representative James Koetje

House Committee: Land Use and Environment

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 9-22-04

CONTENT

The bill would amend the Obsolete Property Rehabilitation Act's definition of "qualified local governmental unit" to include a city that contains or has within its borders a landfill of 140 or more contiguous acres that is no longer in operation.

Currently, the Act's definition of "qualified local governmental unit" includes categories of cities, townships, and villages based on population, low median incomes, distressed areas, or low overall increases in the State equalized valuation of real and personal property. The bill would retain those elements of the definition.

MCL 125.2782

BACKGROUND

The Obsolete Property Rehabilitation Act provides for an exemption from ad valorem property taxes on commercial property and commercial housing property if an obsolete property rehabilitation district has been established within a qualified governmental unit. Authorized qualified local governmental units may establish obsolete property rehabilitation districts. To qualify, the property must be contaminated, blighted, or functionally obsolete.

Buildings and improvements within the rehabilitation districts are eligible for exemption for ad valorem property taxes from one to 12 years. Personal property is not eligible and the deadline on granting an exemption is December 31, 2010.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill likely would have little to no effect on State revenue. The amendment would increase the number of qualified local units, which presumably would increase the number of properties that potentially could receive any tax benefits under statutes that use the definition. However, most of these tax benefits require approval from various authorities and/or are limited in number and scope by other statutes. Consequently, increasing the universe of potential recipients would not necessarily have a fiscal impact on the State. Rather, it could redistribute the fiscal impact of the current law.

The bill likely would have a minimal effect on local unit revenue. Depending upon the local unit, the properties affected by the change in the definition, and whether any development that occurs on those properties will take place without the tax benefits available under the bill, some local units could experience increases in revenue from increased development and grant money, or decreased revenue from forgone revenue that otherwise would have been received. It is expected that the definitional change would not affect a large number of local units or parcels of property, and therefore any fiscal impact would be minimal compared with the revenue and expenditures of all local units, although the impact could be significant for a specific local unit.

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

Fiscal Analyst: David Zin