

Legislative Analysis



PA 198 ABATEMENT EXTENSION

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House Bill 4027

Sponsor: Rep. John Stewart

Committee: Commerce

Complete to 10-31-05

A SUMMARY OF HOUSE BILL 4027 AS INTRODUCED 1-27-05

The Plant Rehabilitation and Industrial Development Districts Act, commonly referred to as PA 198, allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly. The act contains the process to be followed and the requirements that must be met for a certificate to be granted. Section 16a of the act allows an exemption that was issued for less than the maximum permissible 12-year time period to be extended with local approval (although not beyond the 12-year limit).

House Bill 4027 would amend the act (at MCL 207.557) to require the State Tax Commission to issue an exemption certificate that would run from December 30, 2002 to December 30, 2009 for certain property. This would apply to property that met the following conditions: A local governmental unit, under Section 16a of the act, passed a resolution on October 14, 2003 that approved an extended exemption for a new facility for a certificate that expired in December 2002.

FISCAL IMPACT:

Based on assessed values for the specific business, Coffee Express, located in the Charter Township of Plymouth, the proposed tax abatement would result in a loss of State and Local tax revenue, including school tax and State Education Tax, of approximately \$7,000.00 annually over the abatement period. Note that the abatement is based on half the total millage rate, rather than half the taxable value. Therefore, to the extent the millage rate increases in the future, the lost revenue could be higher.

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