

# Legislative Analysis

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## PA 198: LOGISTICAL OPTIMIZATION CENTER

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### House Bill 4915

Sponsor: Rep. Rick Jones

Committee: Commerce

Complete to 6-13-05

## A SUMMARY OF HOUSE BILL 4915 AS INTRODUCED 6-9-05

The bill would amend the Plant Rehabilitation and Industrial Development Districts Act, also known as PA 198, to add "logistical optimization centers" to the list of industrial properties eligible for property tax abatements under the act.

A "logistical optimization center" would be defined as a sorting and distribution center that supports an assembly center and its manufacturing process for the purpose of optimizing transportation, just-in-time inventory management, and material handling.

Under PA 198 local units of government can provide property tax abatements to new and speculative facilities and to replacement facilities with the approval of the State Tax Commission. A local unit grants an industrial facilities exemption certificate, which allows an industrial facility to pay a lower specific tax instead of regular property taxes. The specific tax is known as the industrial facility tax and is paid in much the same way as the general property tax, but at a reduced rate. Replacement facilities are taxed based on the value of the obsolete building in the year prior to the effective date of the certificate (that is, prior to the facility's improvement). New facilities are taxed, generally speaking, based on one-half of the mills being levied by all taxing units. The state education tax is not abated except by special action of the Michigan Economic Development Corporation.

MCL 207.552

### FISCAL IMPACT:

To the extent that additional abatements are granted by virtue of extending the definition of "industrial property" to include "logical optimization centers," state and local revenues would decline by an indeterminate amount.

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