

Legislative Analysis



PA 198: LOGISTICAL OPTIMIZATION CENTER

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House Bill 4915 as enrolled

Public Act 118 of 2005

Sponsor: Rep. Rick Jones

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Complete to 6-13-06

A SUMMARY OF HOUSE BILL 4915 AS ENROLLED

The bill amended 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. (MCL 207.552)

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.

House Bill 4915 amended the act's definition of "industrial property" to include the operation of a logistical optimization center among the facilities eligible for tax abatements. The bill defines "logistical optimization center" as a sorting and distribution center that supports a private-passenger motor vehicle assembly center and its manufacturing process for the purpose of optimizing transportation, just-in-time inventory management, and material handling, and to which all of the following apply:

- The sorting and distribution center is within two miles of a private passenger motor vehicle assembly center that, together with supporting facilities, contains at least 800,000 square feet.
- The sorting and distribution center contains at least 950,000 square feet.
- The sorting and distribution center applied for an industrial facilities exemption certificate after June 30, 2005, and before January 1, 2006.
- The private passenger motor vehicle assembly center is located on land conditionally transferred by a township with a population over 25,000 under Public Act 425 of 1984 (which allows for the intergovernmental conditional

transfer of property by contract), to a city with a population over 100,000 that levies an income tax.

BACKGROUND INFORMATION:

The bill provided a tax abatement to the former General Motors (GM) engine plant on Canal Road in Delta Township, which had been leased by its new owner to Ryder Supply Chain Solutions in order to provide logistics support to GM's other Lansing-area factories. The Ryder logistical optimization center is to perform work traditionally done by GM as part of its manufacturing operations. Under PA 198, however, Ryder was not allowed the same abatement GM received. The bill amended the law to allow the abatement.

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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