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BILL ANALYSIS

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Senate Bill 175 (as reported without amendment)

Sponsor: Senator Cameron S. Brown

Committee: Economic Development, Small Business and Regulatory Affairs

CONTENT

The bill would amend the plant rehabilitation and industrial development districts Act to permit local units of government to extend property tax abatements to property used for "qualified commercial activity".

Under the Act, local units of government may establish plant rehabilitation districts and industrial development districts to provide new, renovated, or expanded industrial property with property tax abatements for up to 12 years. To be eligible for the tax abatements, the industrial property must be used for certain activities. The bill would amend the definition of "industrial property" to include the operation of qualified commercial activity among the activities make property eligible for the tax abatement. "Qualified commercial activity" would mean commercial property that met all of the following:

- It is used for warehousing, distribution, or logistic purposes or a communication service center.
- It occupies a building or structure that is larger than 150,000 square feet.
- It pays an average weekly wage to its employees equal to or exceeding the average weekly wage paid to residents of the county in which the facility is located.

MCL 207.552

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would reduce State and local revenue and would increase expenditures from the School Aid Fund by an indeterminate amount. The bill would expand the types of activities and taxpayers that may qualify for an industrial or commercial facilities exemption certificate. A certificate reduces tax revenue if the activity would have occurred absent the certificate; if the activity would not have occurred without the certificate, taxing authorities simply forego and/or delay receipt of tax revenue that otherwise would not be received.

The amount of the revenue reduction would depend upon the number of taxpayers that would seek certificates under the bill as well as the characteristics of the property. To the extent that a local unit awarded certificates to taxpayers under the terms of the bill instead of to other taxpayers, the bill could have a smaller cost or even a positive fiscal impact. School Aid Fund expenditures would be affected to the extent that the tax reductions granted under the certificates reduced own-source revenue received by local school districts. To maintain guaranteed per-pupil funding amounts, School Aid Fund expenditures would need to increase to offset any loss of local revenue.

Date Completed: 5-5-05

Fiscal Analyst: David Zin

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

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