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BILL ANALYSIS

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Senate Bill 1111 (as introduced 3-2-06)

Sponsor: Senator Cameron S. Brown

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 3-28-06

CONTENT

The bill would amend the definition of "qualified commercial activity" in the plant rehabilitation and industrial development Act to revise the existing criteria and include property used for a communication service center.

Under the Act, commonly known as PA 198, a local unit of government may establish a plant rehabilitation district or an industrial development district, or both, that contains industrial property. The owner of a new or replacement facility in the district may receive an industrial facilities exemption certificate, which exempts the facility from ad valorem property taxes and subjects it to the industrial facilities tax (which is approximately 50% of what the property tax would be, plus the State education tax).

In order to qualify for an exemption certificate, the industrial property must be used for one of the purposes specified in the Act, which include the operation of qualified commercial activity. "Qualified commercial activity" means commercial property (as defined in the Obsolete Property Rehabilitation Act) that meets all of the following:

- An application for an exemption certificate approved by the local governmental unit is filed for approval by the State Tax Commission by April 30, 2006.
- At least 90% of the property, excluding the surrounding green space, is used for warehousing, distribution, and logistic purposes that provide food for institutional, restaurant, hospital, or hotel customers.
- The property is located in a village and is within 15 miles of a State border.
- The property occupies one or more buildings or structures that exceed 300,000 square feet in size.

The bill would define "qualified commercial activity", instead, as commercial property that meets both of the following:

- It is used for warehousing, distribution, or logistic purposes or for a communication service center.
- It occupies a building or structure that exceeds 100,000 square feet in size.

MCL 207.552

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State and local unit revenue by an unknown amount. The bill would revise the circumstances under which a facility may qualify for an exemption certificate as a

qualified commercial activity. It is unknown how many additional facilities might qualify under the changes as well as the characteristics and location of the property. The actual amount of the reduction would depend upon the characteristics of the property and the type of certificate granted. Any impact would reduce School Aid Fund revenue, local unit revenue, and local school district revenue. Reductions to local school district revenue would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.