



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4915 (as reported without amendment)

Sponsor: Representative Rick Jones

House Committee: Commerce

Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 7-25-05

RATIONALE

In early 2005, an investment company, Ashley Capital, purchased the former General Motors (GM) engine plant on Canal Road in Delta Township to lease it to Ryder Supply Chain Solutions, which will provide logistics support to GM's other Lansing-area factories. The 1.2 million-square-foot plant has been idle since it was closed in 2001. Ashley Capital is renovating the plant and adding roughly 50,000 square feet to the facility. In addition to acting as a logistics provider, Ryder will be doing some assembly work for GM at the plant.

When GM operated the facility, the company received a tax abatement under the plant rehabilitation and industrial development district Act (commonly called PA 198). Ryder is not eligible for the same abatement because it will be operating the facility as a logistical optimization center and not a manufacturing plant. Since the center will be integral to GM's manufacturing operations, some people believe that it also should qualify for an abatement under the Act.

CONTENT

The bill would amend the plant rehabilitation and industrial development districts Act to permit local units of government to extend property tax abatements for the operation of a logistical optimization center.

Under the Act, local units of government may establish plant rehabilitation districts and industrial development districts to

provide new, renovated, or expanded industrial property (facilities) 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, which include the manufacturing and processing of goods or materials, high-technology activity, and agricultural processing.

The bill would amend the Act's definition of "industrial property" to include the operation of a logistical optimization center among the activities that qualify a facility for the tax abatements. The bill would define "logistical optimization center" 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.

MCL 207.552

BACKGROUND

Under the Act, in a local unit that has established a plant rehabilitation and industrial development district, the owner or lessee of industrial property in the district may apply to the local unit for an industrial facilities exemption certificate. Upon approval by the local unit's legislative body, the application is forwarded to the State Tax Commission, which issues an industrial facilities exemption certificate if it determines that the facility conforms with the Act. The certificate exempts the facility (but not the land or inventory) from real and personal property taxes, and makes it

subject to a specific industrial facilities tax. For a new facility, the specific tax is 50% of what the property tax otherwise would be, plus the State education tax. For a replacement facility, the specific tax essentially is the amount that property taxes would be based on the value of the facility before renovation.

occur absent the bill and receive a certificate.

Fiscal Analyst: David Zin

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Ryder logistical optimization center will perform work traditionally done by GM as part of its manufacturing operations. Under current law, however, Ryder will not be allowed the same abatement GM received under the plant rehabilitation and industrial development districts Act. Apparently, when Ryder contracted with GM to run the center, it planned on receiving the same tax abatement GM was granted when it operated the facility. The center will be integral to the operation of the GM's new Delta Township plant and is expected to employ about 750 people. The Delta Township facility is the only plant GM is currently building in North America and the State needs to support it by allowing area governments to provide Ryder with the same tax abatement under PA 198 that GM received when it was operating the facility.

According to a Department of Treasury spokesperson, the Department investigated whether an abatement could be granted to Ryder under the Act, but determined that one could not be granted unless an amendment to the Act included logistical optimization facilities.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would reduce local unit revenue and increase School Aid Fund expenditures by an unknown amount, depending upon how many exemption certificates were issued under the provisions added by the bill and the specific characteristics of the properties receiving certificates. The change in revenue would reflect the impact relative to whether a new facility or rehabilitation would

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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.