

**SUBSTITUTE FOR  
HOUSE BILL NO. 4027**

A bill to amend 1974 PA 198, entitled

"An act to provide for the establishment of plant rehabilitation districts and industrial development districts in local governmental units; to provide for the exemption from certain taxes; to levy and collect a specific tax upon the owners of certain facilities; to impose and provide for the disposition of an administrative fee; to provide for the disposition of the tax; to provide for the obtaining and transferring of an exemption certificate and to prescribe the contents of those certificates; to prescribe the powers and duties of the state tax commission and certain officers of local governmental units; and to provide penalties,"

by amending sections 2 and 7 (MCL 207.552 and 207.557), section 2 as amended by 2005 PA 118 and section 7 as amended by 1996 PA 513.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 2. (1) "Commission" means the state tax commission  
2 created by 1927 PA 360, MCL 209.101 to 209.107.

3           (2) "Facility" means either a replacement facility, a new

1 facility, or, if applicable by its usage, a speculative building.

2 (3) "Replacement facility" means 1 of the following:

3 (a) In the case of a replacement or restoration that occurs on  
4 the same or contiguous land as that which is replaced or restored,  
5 industrial property that is or is to be acquired, constructed,  
6 altered, or installed for the purpose of replacement or restoration  
7 of obsolete industrial property together with any part of the old  
8 altered property that remains for use as industrial property after  
9 the replacement, restoration, or alteration.

10 (b) In the case of construction on vacant noncontiguous land,  
11 property that is or will be used as industrial property that is or  
12 is to be acquired, constructed, transferred, or installed for the  
13 purpose of being substituted for obsolete industrial property if  
14 the obsolete industrial property is situated in a plant  
15 rehabilitation district in the same city, village, or township as  
16 the land on which the facility is or is to be constructed and  
17 includes the obsolete industrial property itself until the time as  
18 the substituted facility is completed.

19 (4) "New facility" means new industrial property other than a  
20 replacement facility to be built in a plant rehabilitation district  
21 or industrial development district.

22 (5) "Local governmental unit" means a city, village, or  
23 township **LOCATED IN THIS STATE.**

24 (6) "Industrial property" means land improvements, buildings,  
25 structures, and other real property, and machinery, equipment,  
26 furniture, and fixtures or any part or accessory whether completed  
27 or in the process of construction comprising an integrated whole,

1 the primary purpose and use of which is the engaging in a high-  
2 technology activity, operation of a logistical optimization center,  
3 the manufacture of goods or materials, creation or synthesis of  
4 biodiesel fuel, or the processing of goods and materials by  
5 physical or chemical change; property acquired, constructed,  
6 altered, or installed due to the passage of proposal A in 1976; the  
7 operation of a hydro-electric dam by a private company other than a  
8 public utility; or agricultural processing facilities. Industrial  
9 property includes facilities related to a manufacturing operation  
10 under the same ownership, including, but not limited to, office,  
11 engineering, research and development, warehousing, or parts  
12 distribution facilities. Industrial property also includes research  
13 and development laboratories of companies other than those  
14 companies that manufacture the products developed from their  
15 research activities and research development laboratories of a  
16 manufacturing company that are unrelated to the products of the  
17 company. For applications approved by the legislative body of a  
18 local governmental unit between June 30, 1999 and December 31,  
19 2007, industrial property also includes an electric generating  
20 plant that is not owned by a local unit of government, including,  
21 but not limited to, an electric generating plant fueled by biomass.  
22 Industrial property also includes convention and trade centers over  
23 250,000 square feet in size. Industrial property also includes a  
24 federal reserve bank operating under 12 USC 341, located in a city  
25 with a population of 750,000 or more. Industrial property may be  
26 owned or leased. However, in the case of leased property, the  
27 lessee is liable for payment of ad valorem property taxes and shall

1 furnish proof of that liability. Industrial property does not  
2 include any of the following:

3 (a) Land.

4 (b) Property of a public utility other than an electric  
5 generating plant that is not owned by a local unit of government  
6 and for which an application was approved by the legislative body  
7 of a local governmental unit between June 30, 1999 and December 31,  
8 2007.

9 (c) Inventory.

10 (7) "Obsolete industrial property" means industrial property  
11 the condition of which is substantially less than an economically  
12 efficient functional condition.

13 (8) "Economically efficient functional condition" means a  
14 state or condition of property the desirability and usefulness of  
15 which is not impaired due to changes in design, construction,  
16 technology, or improved production processes, or from external  
17 influencing factors which make the property less desirable and  
18 valuable for continued use.

19 (9) "Research and development laboratories" means building and  
20 structures, including the machinery, equipment, furniture, and  
21 fixtures located in the building or structure, used or to be used  
22 for research or experimental purposes that would be considered  
23 qualified research as that term is used in section 41 of the  
24 internal revenue code, 26 USC 41, except that qualified research  
25 also includes qualified research funded by grant, contract, or  
26 otherwise by another person or governmental entity.

27 (10) "Manufacture of goods or materials" or "processing of

1 goods or materials" means any type of operation that would be  
2 conducted by an entity included in the classifications provided by  
3 sector 31-33 -- manufacturing, of the North American industry  
4 classification system, United States, 1997, published by the office  
5 of management and budget, regardless of whether the entity  
6 conducting that operation is included in that manual.

7 (11) "High-technology activity" means that term as defined in  
8 section 3 of the Michigan economic growth authority act, 1995 PA  
9 24, MCL 207.803.

10 (12) "Logistical optimization center" means a sorting and  
11 distribution center that supports a private passenger motor vehicle  
12 assembly center and its manufacturing process for the purpose of  
13 optimizing transportation, just-in-time inventory management, and  
14 material handling, and to which all of the following apply:

15 (a) The sorting and distribution center is within 2 miles of a  
16 private passenger motor vehicle assembly center that, together with  
17 supporting facilities, contains at least 800,000 square feet.

18 (b) The sorting and distribution center contains at least  
19 950,000 square feet.

20 (c) The sorting and distribution center has applied for an  
21 industrial facilities exemption certificate after June 30, 2005 and  
22 before January 1, 2006.

23 (d) The private passenger motor vehicle assembly center is  
24 located on land conditionally transferred by a township with a  
25 population of more than 25,000 under 1984 PA 425, MCL 124.21 to  
26 124.30, to a city with a population of more than 100,000 that  
27 levies an income tax under the city income tax act, 1964 PA 284,

1 MCL 141.501 to 141.787.

2       Sec. 7. (1) Within 60 days after receipt of an approved  
3 application or an appeal of a disapproved application that was  
4 submitted to the commission before October 31 of that year, the  
5 commission shall determine whether the facility is a speculative  
6 building or designed and acquired primarily for the purpose of  
7 restoration or replacement of obsolete industrial property or the  
8 construction of new industrial property, and whether the facility  
9 otherwise complies with section 9 and with the other provisions of  
10 this act. If the commission so finds, it shall issue an industrial  
11 facilities exemption certificate. Before issuing a certificate the  
12 commission shall notify the state treasurer of the application and  
13 shall obtain the written concurrence of the department of ~~consumer~~  
14 ~~and industry services~~ **LABOR AND ECONOMIC GROWTH** that the  
15 application complies with the requirements in section 9. Except as  
16 otherwise provided in section 7a, the effective date of the  
17 certificate for a replacement facility or new facility is the  
18 immediately succeeding December 31 following the date the  
19 certificate is issued. For a speculative building or a portion of a  
20 speculative building, except as otherwise provided in section 7a,  
21 the effective date of the certificate is the immediately succeeding  
22 December 31 following the date the speculative building, or the  
23 portion of a speculative building, is used as a manufacturing  
24 facility.

25       (2) The commission shall send an industrial facilities  
26 exemption certificate, when issued, by certified mail to the  
27 applicant, and a certified copy by certified mail to the assessor

1 of the assessing unit in which the facility is located or to be  
2 located, and that copy shall be filed in his or her office. Notice  
3 of the commission's refusal to issue a certificate shall be sent by  
4 certified mail to the same persons.

5 (3) Notwithstanding any other provision of this act, if on  
6 December 29, 1986 a local governmental unit passed a resolution  
7 approving an exemption certificate for 10 years for real and  
8 personal property but the commission did not receive the  
9 application until 1992 and the application was not made complete  
10 until 1995, then the commission shall issue, for that property, an  
11 industrial facilities exemption certificate that begins December  
12 30, 1987 and ends December 30, 1997.

13 (4) **NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, IF**  
14 **PURSUANT TO SECTION 16A A LOCAL GOVERNMENTAL UNIT PASSED A**  
15 **RESOLUTION APPROVING AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE**  
16 **FOR A NEW FACILITY ON OCTOBER 14, 2003 FOR A CERTIFICATE THAT**  
17 **EXPIRED IN DECEMBER 2002, THE COMMISSION SHALL ISSUE FOR THAT**  
18 **PROPERTY AN INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE THAT BEGINS**  
19 **ON DECEMBER 30, 2002 AND ENDS DECEMBER 30, 2009.**