

SENATE BILL No. 1111

March 2, 2006, Introduced by Senators BROWN, HAMMERSTROM, CROPSEY, JELINEK, BIRKHOLZ, SIKKEMA, GOSCHKA, GEORGE, SANBORN, PATTERSON, CASSIS, McMANUS, ALLEN, BISHOP, JOHNSON and VAN WOERKOM and referred to the Committee on Economic Development, Small Business and Regulatory Reform.

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 section 2 (MCL 207.552), as amended by 2005 PA 267.

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

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

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

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

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

21 (5) "Local governmental unit" means a city, village, or
22 township located in this state.

23 (6) "Industrial property" means land improvements, buildings,
24 structures, and other real property, and machinery, equipment,
25 furniture, and fixtures or any part or accessory whether completed
26 or in the process of construction comprising an integrated whole,
27 the primary purpose and use of which is the engaging in a high-

1 technology activity, operation of a logistical optimization center,
2 operation of qualified commercial activity, the manufacture of
3 goods or materials, creation or synthesis of biodiesel fuel, or the
4 processing of goods and materials by physical or chemical change;
5 property acquired, constructed, altered, or installed due to the
6 passage of proposal A in 1976; the operation of a hydro-electric
7 dam by a private company other than a public utility; or
8 agricultural processing facilities. Industrial property includes
9 facilities related to a manufacturing operation under the same
10 ownership, including, but not limited to, office, engineering,
11 research and development, warehousing, or parts distribution
12 facilities. Industrial property also includes research and
13 development laboratories of companies other than those companies
14 that manufacture the products developed from their research
15 activities and research development laboratories of a manufacturing
16 company that are unrelated to the products of the company. For
17 applications approved by the legislative body of a local
18 governmental unit between June 30, 1999 and December 31, 2007,
19 industrial property also includes an electric generating plant that
20 is not owned by a local unit of government, including, but not
21 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~~ **THAT** make the property less desirable
18 and 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 (13) "Commercial property" means that term as defined in
3 section 2 of the obsolete property rehabilitation act, 2000 PA 146,
4 MCL 125.2782.

5 (14) "Qualified commercial activity" means commercial property
6 that meets all of the following:

7 ~~—— (a) An application for an exemption certificate approved by~~
8 ~~the local governmental unit is filed for approval by the state tax~~
9 ~~commission not later than April 30, 2006.~~

10 (A) ~~—(b) At least 90% of the property, excluding the~~
11 ~~surrounding green space, is IS used for warehousing, distribution,~~
12 ~~and logistics OR LOGISTIC purposes that provide food for~~
13 ~~institutional, restaurant, hospital, or hotel customers OR FOR A~~
14 **COMMUNICATION SERVICE CENTER.**

15 ~~—— (c) Is located within a village and is within 15 miles of a~~
16 ~~Michigan state border.~~

17 (B) ~~—(d) Occupies 1 or more buildings A BUILDING or~~
18 ~~structures STRUCTURE that together are IS greater than 300,000~~
19 **100,000** square feet in size.