

Legislative Analysis



INDUSTRIAL PROPERTY TO INCLUDE MAJOR DISTRIBUTION AND LOGISTICS FACILITY

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Senate Bill 867 (Substitute S-5)

Sponsor: Sen. Cameron Brown

House Committee: New Economy and Quality of Life

Senate Committee: Economic Development and Regulatory Reform (Discharged)

Complete to 6-11-08

A SUMMARY OF SENATE BILL 867 AS PASSED BY THE SENATE 5-21-08

The bill would make major distribution and logistics facilities eligible for certain property tax abatements and require the reinstatement of revoked property tax abatements in certain circumstances.

The bill would amend the Plant Rehabilitation District and Industrial Development Act, commonly known as PA 198, under which property tax abatements can be granted by local units of government to new and speculative buildings and to replacement facilities. Abatements are available on a facility (but not the land) for up to 12 years, by allowing a firm to pay a lower "specific" tax instead of regular property taxes. The specific tax is roughly one-half of the standard property tax for a new facility. For a rehabilitated facility, the tax is based on the value of property prior to renovation. Approval is first required by a local unit of government and subsequently by the State Tax Commission, which checks to see if the law has been followed properly.

Distribution and Logistics Facilities. Senate Bill 867 would amend Public Act 198 of 1974 which concerns plant rehabilitation and industrial development districts to include the *operation of a major distribution and logistics facility* within the definition of "industrial property."

The bill would define "major distribution and logistics facility" to mean a proposed distribution center that met all of the following:

- Contained at least 300,000 square feet.
- Had or would have an assessed value of \$5 million or more for the real property.
- Was located within 35 miles of the border of the state.
- Had as its purpose the distribution of inventory and materials to facilities owned by the taxpayer whose primary business was the retail sale of sporting goods and related inventory.

Revoked Exemption Certificates. The bill specifies that if the State Tax Commission issued industrial facilities exemption certificates for new facilities on October 30, 2002, September 9, 2003, and November 30, 2005 but revoked the exemption certificates for the same facilities effective December 30, 2007 and the new facilities continue to qualify

under this act, the commission would be required to issue (for those properties) industrial facilities exemption certificates which end respectively on December 30, 2008, December 30, 2009, and December 30, 2011.

The bill specifies that the State Tax Commission could reinstate a revoked industrial facilities exemption certificate under certain conditions, as follows: upon the written request of the holder of a revoked industrial facilities exemption certificate to the local unit of government and the commission, and the submission to the commission of a resolution of concurrence by the legislative body of the local unit of government in which the facility is located.

MCL 207.552, 207.559, and 207.565

FISCAL IMPACT:

To the extent new facilities were eligible for PA 198 abatements, there would be a reduction in local revenues and an increase in state expenditures for school operating costs.

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