



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1111 (Substitute S-1 as reported)
Senate Bill 1112 (Substitute S-1 as reported)
Senate Bill 1113 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen (S.B. 1111)
 Senator Hansen Clarke (S.B. 1112)
 Senator Patricia L. Birkholz (S.B. 1113)
Committee: Commerce and Tourism

CONTENT

Senate Bill 1113 (S-1) would amend the Commercial Redevelopment Act to do all of the following:

- Include a "LEED-certified facility" in the Act's definition of "facility".
- Allow a commercial facilities tax exemption to be issued for a LEED-certified facility in a city or village, or in a township with a population of at least 20,000.
- Require an application for an exemption certificate for a LEED-certified facility to be filed with the clerk of the local unit and, if an exclusion from State Education Tax (SET) mills were requested, with the State Tax Commission.
- Specify requirements regarding the application, approval, and issuance of a certificate for a LEED-certified facility.

The Act allows a local unit to establish a commercial redevelopment district. A facility located in a district is exempt from the general property tax and is subject instead to the commercial facilities tax. The bill would include a "LEED-certified facility" in the definition of "facility".

"LEED certified facility" would mean land improvements classified by law for general ad valorem tax purposes as real property, including real property assessable as personal property under the General Property Tax Act, that have received LEED certification or for which LEED certification will be sought, but not including land. A LEED-certified facility could include commercial, industrial, residential, or multiple uses. "LEED certification" would mean a certification issued under the Leadership in Energy and Environmental Design green building rating system developed by the U.S. Green Building Council or a comparable green building standard, as determined by the Director of the Department of Energy, Labor, and Economic Growth.

Through December 31, 2016, an owner or lessee of a LEED-certified facility, or another person with the written approval of an owner or lessee, could file an application, before the LEED construction activities were completed, with the local clerk where the LEED-certified facility was located. If an exclusion of the SET were requested, a copy of the application would have to be submitted to the State Tax Commission.

An exemption certificate for a LEED-certified facility would have to include the percentage of property tax applicable to the facility. A certificate could not be issued for a

LEED-certified facility until the applicant submitted evidence of LEED certification, along with sufficient information to determine the starting date of LEED construction activities for purposes of calculating the commercial facilities tax.

Senate Bill 1112 (S-1) would amend the Commercial Redevelopment Act to do the following:

- Exclude a LEED-certified facility from certain requirements for a local unit's approval of an exemption certificate application.
- Establish an alternative formula to calculate the commercial facilities tax for a LEED-certified facility, under which a higher level of LEED certification would result in a lower tax.

Senate Bill 1111 (S-1) would amend the Commercial Redevelopment Act to do all of the following:

- Allow the State Treasurer to exclude SET mills from the calculation of a LEED-certified facility's commercial facilities tax, for up to six years.
- Omit SET exclusions for LEED-certified facilities from the Act's limit of 25 SET exclusions.
- Allow a local legislative body to revoke the exemption certificate for a LEED-certification only if it determined the applicant submitted fraudulent evidence of LEED certification; the owner or lessee were delinquent in paying the commercial facilities tax for the facility; or the facility no longer met the definition of LEED certification.
- Allow a local unit to inspect a LEED-certified facility annually to determine compliance with the Act.
- Specify that a commercial facilities exemption certificate issued for a LEED-certified facility would remain in effect regardless of any lease or transfer of ownership of the facility.

MCL 207.662a et al. (S.B. 1111)
207.659-207.662 (S.B. 1112)
207.653 et al. (S.B. 1113)

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills would likely have a small but indeterminate impact on State and local revenue. Expanding the definition of "facility" to include LEED-certified or other comparable green building standards facilities likely would encourage facility owners to apply for a commercial facility tax exemption for an unknown amount of new activity. The impact would depend on the number of facilities that used this new exemption as well as the categories of the new LEED facilities certified and the total economic value of the various projects.

The bills could reduce revenue to the State School Aid Fund and local units and could increase State expenditures from the General Fund. State taxes could be reduced and the State would be liable through the School Aid Fund to reimburse school districts for lost revenue. Most other local property taxes abated due to the LEED-based commercial facility tax exemptions would not be reimbursed by the State, reducing local unit revenue.

Date Completed: 9-27-10

Fiscal Analyst: Eric Scorsone

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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.