

ALLOW MICHIGAN STRATEGIC FUND APPROVAL AND EXTENSION OF RENAISSANCE ZONES

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<http://www.house.mi.gov/hfa>

House Bill 5096 as enrolled

Sponsor: Rep. Kristian C. Grant

House Committee: Economic Development and Small Business

Senate Committee: Committee of the Whole

Complete to 5-17-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 5096 would amend the Michigan Renaissance Zone Act to allow the board of directors of the Michigan Strategic Fund (MSF) to designate all remaining Renewable Energy, Forest Product Processing, and Border Crossing Facility renaissance zones and to approve extensions for other MSF-designated zones. It would also modify the process for reimbursing lost property tax revenue to school districts, community colleges, and public libraries.

Generally speaking, renaissance zones are tax-free zones designed for businesses in specific geographic areas or for specific kinds of facilities or industries anywhere in the state. Under the act, the State Administrative Board designates certain areas in Michigan as Renewable Energy and Forest Product Processing renaissance zones upon the recommendation of the MSF's board of directors, and the MSF can designate 25 additional areas as Border Crossing zones. As of 2020, there were six Renewable Energy,¹ eight Forest Product Processing, and all 25 Border Crossing Facility renaissance zones available for designation.²

Designations

House Bill 5096 would allow the MSF board of directors, rather than the State Administrative Board, to approve the designations of renaissance zones in the three categories listed above that have not been designated by September 30, 2023, and approve extensions of designations that it has made. Local governments in which a zone was designated could apply to the MSF for an extension, beginning on October 1, 2023. (The bill would not change the current criteria for the designation or revocation of a renaissance zone.)

If the MSF board rescinds a designation that it has made on or after October 1, 2023, before selecting a beginning date, it would be authorized under the bill to redesignate the zone at a later date.³

Additionally, the bill would allow the MSF to extend a designation for a renaissance zone currently located in a county with a population between 1.7 million and 1.9 million for an additional 15 years, up to a total renaissance zone duration of 30 years.⁴ A qualified local governmental unit (defined by the act as a county or a local government that contains an eligible

¹ Two of these zones must focus primarily on the production of cellulosic biofuels.

² See: <https://sigma.michigan.gov/EI360TransparencyApp/files/Economic%20Development%20Projects/2020%20Renaissance%20Zone%20Annual%20Report.pdf>.

³ The MSF currently must set a beginning date for these zones on the January 1 of any year within five years after the date of the designation.

⁴ This provision would effectively apply only to Wayne County.

distressed area⁵) would have to apply for the extension, which could not be granted unless the governing body of each city, village, and township in which the renaissance zone is located adopts a resolution supporting the extension.

For such a renaissance zone, an extension would be considered to have begun on January 1, 2023. The MSF could grant applicable exemptions from city income taxes retroactively to the first day of the year in which it approves an amendment, and exemptions from city utility users taxes, property taxes, and all other benefits under the act would take effect once the amendment is approved.

The MSF board would be able to delegate any of its responsibilities under the act to any authorized MSF employees, officers, and agents, including employees of the Michigan Economic Development Corporation (MEDC).

Reimbursements

Subject to an appropriation, the state is required under the act to reimburse local school districts, intermediate school districts, community college districts, and public libraries for lost property tax revenue due to a renaissance zone. (Under the bill, revenue lost from taxes levied by local school districts for public recreation facilities would also be reimbursed.)

These entities must currently report all lost revenue eligible for reimbursement to the Michigan Department of Treasury. House Bill 5096 would instead provide that for property exempted for a renaissance zone, the assessor of the appropriate local tax collecting unit must report the property's taxable value for that year and the immediately preceding year to the Department of Treasury, and the Department of Treasury must calculate the amount of revenue lost based on the property's taxable value.

Additionally, the bill would require prorated reimbursements to intermediate school districts, local school districts, community colleges, and public libraries if the amount appropriated for the reimbursements is less than the amount required.⁶

MCL 125.2683 et seq.

BRIEF DISCUSSION:

Supporters of the bill believe that an update in the renaissance zone designation process is necessary to allow local governments to better take advantage of the opportunities that a renaissance zone could provide. Reducing taxes in these zones can encourage businesses to invest in that area, leading to job creation and increased property values.

In addition, the bill would allow the MSF to extend a renaissance zone located in Wayne County for an additional 15 years with the approval of the local units of government in which the renaissance zone is located. This extension appears to apply to the renaissance zone for the Detroit Medical Center, which is set to expire at the end of 2025.⁷ If the MSF approves an

⁵ See: <https://www.michigan.gov/mshda/-/media/Project/Websites/mshda/about/reports/MSHDA-EDA-List.pdf#page=2>.

⁶ Under the act, this provision was only in effect for the 2009-10 fiscal year.

⁷ <https://detroitmi.gov/departments/office-chief-financial-officer/ocfo-divisions/office-assessor/renaissance-zones>.

extension in 2024, the 15-year extension would be considered to have begun in 2023, city income tax exemptions would be retroactive to January 1, 2024, and other exemptions and benefits would apply once the extension is approved.

FISCAL IMPACT:

The bill is permissive in nature and would not have a direct fiscal impact on state or local government. However, if additional renaissance zones were approved, the bill would reduce state and local revenue by an indeterminate amount. The bill also could increase state expenditures by an unknown amount. The fiscal impact would depend on the specific characteristics of the applicable renaissance zone (taxable value and millage rates) and the decision on the part of the legislature to make an appropriation as part of state reimbursements for losses attributable to renaissance zones.

The bill includes a provision specific to the extension of a renaissance zone in Wayne County for an additional 15 years. An estimate of revenue loss or state expenditures related to the relevant renaissance zone does not currently exist. If the renaissance zone was extended it would result in state and local revenue loss and increased state expenditures when compared to current law. The magnitude of revenue loss and state expenditures would be commensurate with current levels.

The state currently provides an appropriation for reimbursement payments for intermediate school districts, local school districts, community colleges, and public libraries affected by renaissance zones. To the extent that the bill imposes new administrative responsibilities related to taxable value reporting and tax revenue loss calculations on local assessors and the Department of Treasury it would increase administrative costs. However, these costs are not expected to be significant.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.