



**House  
Legislative  
Analysis  
Section**

Olds Plaza Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

**PA 198 ABATEMENT EXCEPTIONS**

**House Bill 5086 (Substitute H-3)  
First Analysis (10-10-95)**

**Sponsor: Rep Mike Green  
Committee: Tax Policy**

***THE APPARENT PROBLEM:***

The plant rehabilitation and industrial development act (Public Act 198 of 1974) allows local units of government to grant industrial facilities exemption certificates to new facilities and speculative buildings and to replacement facilities. The certificate, generally speaking, grants a property tax abatement to an industrial facility, which then pays a specific tax instead of property taxes. The act contains the process that must be followed and the requirements that must be met for a certificate to be awarded. Approval is required at the local level and by the State Tax Commission. The act requires, among other things, 1) that the facility be located in a plant rehabilitation district or industrial development district duly established by the local governmental unit before the commencement of the restoration, replacement, or construction of the facility; and 2) that the commencement of the restoration, replacement, or construction of the facility occurred not earlier than six months before the filing of the application for the exemption certificate. Exceptions have been written into the statute in the past to cover cases where all parties were agreeable to the granting of an exemption but through errors or misunderstandings the technical requirements of the law were not met. Two such cases have recently come to light, one involving Active Industries of Roseville, for capital improvements at their Elkton plant in Huron County. The other involves the Whirlpool Corporation's employee training facility in Covert Township (Van Buren County). According to committee testimony, in the first case, the company was advised by its lawyers to delay application until new school finance/property tax legislation was in place, which turned out to be beyond the application deadline. In the second case, the company was under the mistaken impression when it began construction that an industrial development district had been created by the local unit of government.

***THE CONTENT OF THE BILL:***

House Bill 5086 would amend the plant rehabilitation and industrial development act to allow two exceptions to the act's procedural requirements. The exceptions would be for:

- 1) a facility located in an industrial development district owned by a person who filed an application for a certificate in April 1995 that was unanimously supported by the legislative body of the local unit by resolution passed in May 1995; and
- 2) a facility located in an industrial development district established in January 1994 owned by a person who filed an application for a certificate in November 1993, if the personal property and real property portions of the application were approved by the local unit and the personal property portion approved but the real property portion denied by the State Tax Commission in December 1994.

The bill would allow exemption certificates to be awarded in these cases even though one of two requirements had not been met: that the abatement application be filed no later than six months after work on a facility had begun and that an industrial development district be in place before work began on the facility.

MCL 207.554

***FISCAL IMPLICATIONS:***

The House Fiscal Agency has said that "The added cost to the state associated with this legislation is equal to the reduction in school operating millage paid by two firms who can take advantage of this exception." The HFA cites Department of Treasury estimates that school aid fund expenditures would increase by about \$43,030 in fiscal year 1996 and by \$38,600 in fiscal year 1997 to replace the lost local revenue. (Fiscal Note dated 10-6-95)

House Bill 5086 (10-10-95)

***ARGUMENTS:***

***For:***

The bill would allow two property tax abatements to be awarded, one in Huron County and one in Van Buren County as exceptions to the technical

requirements of Public Act 198. There are a number of precedents for this. The legislature has on numerous occasions provided this kind of exception in cases where the spirit of the abatement law has been met but certain technical requirements have not been met.

***POSITIONS:***

Representatives from the two companies affected by the bill, Active Industries and Whirlpool, testified in support of the bill. (10-4-95)