



**House
Legislative
Analysis
Section**

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PA 198 EXCEPTION

**House Bill 6226 with committee
amendments
First Analysis (11-21-96)**

**Sponsor: Rep. Robert Brackenridge
House Committee: Local Government**

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 lower specific tax instead of regular property taxes. The act contains the process that must be followed and sets forth the requirements that must be met for a certificate to be awarded. Approval is required first by the local legislative body, which must forward an approved application to the state. Approval is then required by the State Tax Commission, which must check to see if the law has been followed properly. Numerous 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. Legislation has been introduced to address a new case that has recently come to light. In that case, involving the city of Pontiac and the Dana Corporation, the city reportedly did not forward the exemption application to the state in a timely manner.

THE CONTENT OF THE BILL:

House Bill 6226 would amend the plant rehabilitation and industrial development act to allow an exception to the act's procedural requirements. The exception would apply to a case in which a local unit passed a resolution on December 29, 1986 approving an exemption certificate for 10 years for real and personal property, but the state tax commission did not receive the application until 1992 and the application was not made complete until 1995. The State Tax Commission would be required to issue an industrial facilities exemption that begins December 30, 1987 and ends December 30, 1997.

MCL 207.557

BACKGROUND INFORMATION:

This case was previously addressed by House Bill 5963. That bill passed the House dealing with two cases, then passed the Senate dealing with four cases, each with a slightly different history, and then was vetoed by the governor.

FISCAL IMPLICATIONS:

The House Fiscal Agency has noted, in a fiscal note addressing a similar bill earlier in the session, that the revenue impact is indeterminate based on the number of certificates to be issued and whether the exemption was already being granted at the local level in the interim. (Fiscal Note dated 9-9-96.) According to testimony before the Local Government Committee on an earlier bill addressing this case (and others), the Dana Corporation plant in Pontiac has been receiving the abatement in question since 1987 and it is due to expire in 1997. The bill would validate the abatement specifically for that period of time.

ARGUMENTS:

For:

The bill would allow an industrial property tax abatement to be validated as an exception 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.

Against:

While it is true that these exceptions have become common practice, it remains the case that the legislature has put into statute a specific process containing specific

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deadlines for a reason, and it should not too be much to ask for companies and local units of government to follow the law when seeking and granting property tax exemptions.

POSITIONS:

There are no positions on the bill. (11-20-96)

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