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 426 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Cameron Brown
Committee: Economic Development and Regulatory Reform

CONTENT

The bill would amend the plant rehabilitation and industrial development Act to provide for the calculation of the industrial facility tax for a new facility or speculative building that was owned or operated by a qualified modular housing manufacturer.

The Act allows local units of government to grant industrial facilities exemption certificates to new and speculative buildings and replacement facilities located in an industrial development district. Industrial property in a district is subject to the industrial facility tax, instead of the property tax.

The amount of the industrial facility tax in each year for a new facility or a speculative building is determined by multiplying the taxable value of the facility, excluding the land and the inventory personal property, by the sum of one-half of the total mills levied as ad valorem taxes for that year by all taxing units in which the facility is located other than State Education Tax (SET) mills, plus, subject to Section 14a, the number of SET mills. (Section 14a allows the State Treasurer to exclude half or all of the number of SET mills from the calculation of the industrial facility tax on a new facility.)

Under the bill, beginning for the 2009 tax year and through the 2011 tax year, the amount of the industrial facility tax in each year for a new facility or a speculative building that was owned or operated by a qualified modular housing manufacturer would have to be determined by the same calculation, except the multiplier would be 1/10th, rather than one-half if the local unit approved that amount. If a local unit approved an exemption certificate for such a facility before January 1, 2009, it would be extended for 12 additional years beginning when the initial certificate would have expired if the local unit approved the extension.

MCL 207.552 & 207.564 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local unit revenue and increase School Aid Fund expenditures by an unknown amount. The potential impact on State revenue depends on the degree to which the State Education Tax would be abated under the new provisions. Any reduction in local school district operating revenue would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees. The magnitude of the impact also depends upon the characteristics of the properties affected. To the extent that development will occur absent the bill, the bill would prevent revenue increases that otherwise will be received by entities with affected mills, such as community colleges and library authorities, as well as revenue to the local unit.

Date Completed: 6-2-09 Fiscal Analyst: David Zin