



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 668 (Substitute S-1) through 676
Sponsor: Senator Dick Posthumus (Senate Bill 668)
Senator Glenn D. Steil (Senate Bill 669)
Senator Loren Bennett (Senate Bill 670)
Senator Leon Stille (Senate Bill 671)
Senator Don Koivisto (Senate Bill 672)
Senator Dave Honigman (Senate Bill 673)
Senator John J. H. Schwarz, M.D. (Senate Bill 674)
Senator Bill Schuette (Senate Bill 675)
Senator Henry E. Stallings, II (Senate Bill 676)
Committee: Local, Urban and State Affairs

Date Completed: 1-16-96

SUMMARY OF SENATE BILL 668 (Substitute S-1) and Senate Bills 669 through 676 as introduced 9-20-95:

Senate Bill 668 (S-1) would create the "Michigan Renaissance Zone Act", which would establish a renaissance zone review board to review applications from qualified local governments for designation of geographic areas as renaissance zones. Beginning after December 31, 1996, a resident or business within a renaissance zone would receive for up to 15 years an exemption or credit from certain taxes. Property located in a zone would be exempt from property taxes for up to 15 years, beginning with taxes levied after 1996. The State would be required to reimburse local and intermediate school districts (ISDs) as well as community colleges for revenues lost because of the tax exemption. The bill also specifies circumstances under which a person or business within a renaissance zone would not be eligible for an exemption, and would provide for reductions in the exemptions or credits during the last three years of eligibility.

For the review board to designate an area as a renaissance zone, an application would have to meet certain criteria, including limiting the size of a zone to 5,000 acres, requiring the submission of a development plan, and limiting to 15 years the duration of an area being designated a renaissance zone. The State Administrative Board would have to review all recommendations from the

renaissance zone review board and determine if the applications met certain criteria, including whether adverse economic and socioeconomic conditions existed within the proposed zone, the viability and creativity of the proposed development plan, and the availability of public and private resources. The Administrative Board could designate up to eight renaissance zones, with five located in urban areas and three in rural areas.

Senate Bill 669 through 676 would amend various acts to provide tax exemptions for individuals and property located in a renaissance zone.

A more detailed description of the bills follows.

Senate Bill 668 (S-1)

Legislative Findings

The bill states the following findings of the Legislature: "The legislature of this state finds and declares that there exists in this state continuing need for programs to assist certain local governmental units in encouraging economic development, the consequent job creation and retention, and ancillary economic growth in this state. To achieve these purposes, it is necessary to assist and encourage the creation of renaissance zones and provide temporary relief from certain taxes within the renaissance zones."

The bill also would require that it be construed liberally to effectuate the legislative intent and the purposes of the proposed Act and as complete and independent authority for the performance of each and every act and thing authorized by the Act, and that all powers granted by the act be broadly interpreted to effectuate its intent and purposes and not as a limitation of powers.

Review Board

The renaissance zone review board would be created, and would consist of all of the following: the Director of the Department of Management and Budget, the chief executive officer of the Michigan Jobs Commission, and the State Treasurer, or their designees.

The review board would have to review all applications submitted by qualified local governmental units and make recommendations to the State Administrative Board for approval based on criteria contained in the bill.

Review board members would have to serve without compensation, but could receive reasonable reimbursement for necessary travel and expenses.

Application

A qualified local governmental unit (which would be either a city with a population over 175,000 or a county) or two adjacent qualified local governmental units could apply to the review board to designate not more than six distinct geographic areas each not less than 400 acres in size within the qualified local governmental unit or units as a renaissance zone if all of the following criteria were met:

- The geographic area of the proposed renaissance zone was located within the boundaries of the qualified local governmental unit(s) that applied.
- The application included a "development plan".
- The proposed renaissance zone were not more than 5,000 acres in size.
- The application included the proposed duration of renaissance zone status, of up to 15 years.
- The county executive's written approval of the application was included, if the qualified local governmental unit had an elected county executive.

- The city's mayor's written approval of the application was included, if the qualified local governmental unit were a city.

A qualified local governmental unit could not be part of more than one renaissance zone, and could not submit more than one application to the review board for designation as a renaissance zone.

("Development plan" would mean a written plan that addressed the criteria in the bill for designation of a renaissance zone and included all of the following:

- A map of the proposed renaissance zone that indicated the geographic boundaries, the total area, and the present use and conditions of the land and structures within those boundaries.
- Evidence of community support and commitment from residential and commercial interests.
- A description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, and provide job training.
- Current social, economic, and demographic characteristics of the proposed renaissance zone and anticipated improvements in education, health, human services, public safety, and employment if the renaissance zone were created.
- Any other information required by the State Administrative Board.)

The review board could not consider an application that was submitted less than 60 days after the bill's effective date and/or submitted after October 31, 1996.

State Administrative Board

The State Administrative Board would have to review all recommendations submitted by the review board and determine which applications met the bill's criteria. The Board would have to do all of the following: designate renaissance zones; approve or reject the duration of renaissance zone status as submitted in the application, not to exceed 15 years; and approve or reject the geographic boundaries and the total area of the renaissance zone as submitted in the application. The Administrative Board, however, could not alter the geographic boundaries of the renaissance zone or the duration of the renaissance zone

status described in the application unless the qualified local governmental unit(s) and the local governmental unit(s) in which the renaissance zone was to be located consented to the alteration.

The application form for a renaissance zone designation would have to be as specified by the Michigan Jobs Commission. The Board could request any information from an applicant, in addition to that contained in an application, as could be needed to permit the Board to discharge its responsibilities under the bill.

The Administrative Board could not designate a renaissance zone after December 31, 1996. The designation of a renaissance zone under the bill would take effect January 1, 1997.

Open Meetings

The Administrative Board and the review board would be required to conduct all business at public meetings held in compliance with the Open Meetings Act. A record or a portion of a record, material, or other data received, prepared, used, or retained by the Administrative Board or the review board would be subject to the Freedom of Information Act.

Criteria

The Administrative Board would have to consider all the following criteria in designating a renaissance zone: evidence of adverse economic and socioeconomic conditions within the proposed renaissance zone; the viability of the development plan; whether the development plan was creative and innovative in comparison to other applications; public and private commitment to and other resources available for the proposed renaissance zone; how renaissance zone designation would relate to a broader plan for the community as a whole; demonstrated cooperation from surrounding communities; and, any other information required by the Board.

The Board could not designate an area as a renaissance zone unless, as part of the application, the qualified local governmental unit(s) provided a resolution from the governing body of the qualified local governmental unit and each city, village, or township, within which the proposed renaissance zone was to be located, that stated if the renaissance zone designation were granted, persons and property within the renaissance zone would be exempt from taxes levied by the governmental unit as provided in the bill.

Zone Designation

The Administrative Board could not designate more than eight renaissance zones within the State. Not more than five of the renaissance zones could be located in "urban areas" and not more than three of the zones could be located in "rural areas". The bill specifies that for purposes of determining whether a renaissance zone was located in an urban or rural area, if any part of a renaissance zone were located within an urban area, the entire renaissance zone would be considered to be located in an urban area. ("Urban area" would mean an urbanized area as determined by the economics and statistics administration, United States Bureau of the Census according to the 1990 census. "Rural area" would mean an area that lay outside of the boundaries of an urban area.)

Tax Credits

Except as otherwise provided in the bill, a person who was a resident of a renaissance zone or a business that was located and operated within a renaissance zone would receive for up to 15 years an exemption or credit as proposed under the following Acts: the Single Business Tax Act; the Income Tax Act; the City Income Tax Act, the plant rehabilitation and industrial development Act; the Commercial Redevelopment Act; the Enterprise Zone Act; Public 189 of 1953, which provides for the taxation of lessees or users of tax-exempt property; the Technology Park Development Act; the Natural Resources and Environmental Protection Act, which provides for an annual specific tax on commercial forests; the Neighborhood Enterprise Zone Act; and, the City Utility Users Tax Act.

Except as otherwise provided in the bill, property located in a renaissance zone would be exempt from the collection of taxes under the General Property Tax Act beginning with taxes levied after 1996, for up to 15 years.

During the last three years that the taxpayer was eligible for an exemption or credit, the exemption or credit would have to be reduced by the following percentages:

- 25% for the tax year that was two years before the final year of designation as a renaissance zone.
- 50% for the tax year immediately preceding the final year of designation.

-- 75% for the tax year that was the final year of designation.

The bill specifies that except as otherwise provided, the exemption or credit provided for in the bill would take effect for tax years beginning after December 31, 1996.

Reimbursement

The State would be required to reimburse local and intermediate school districts each year for all tax revenue lost as the result of the bill's exemption of property from taxes levied under School Code as follows: the levy of property taxes by an ISD for operating purposes (MCL 380.625a); the levy by a school district of up to 18 mills for school operating purposes (MCL 380.1211); the levy by an ISD of millage for the operation of an area vocational-technical education program (MCL 380.681); and the levy by an ISD of property taxes for special education purposes (MCL 380.1724a).

The State also would be required to reimburse each year a community college district for all tax revenue lost as a result of the exemption of property under the bill from taxes levied or collected under the General Property Tax Act.

Local and intermediate school districts as well as community college districts eligible for reimbursement under these provisions would be required to report annually to the Department of Treasury all revenue lost for which reimbursement under the bill was claimed.

Ineligibility

An individual who was a resident of a renaissance zone or a business that was located and operated within a renaissance zone or a person who owned property located in a renaissance zone would not be eligible for the exemption or credit listed in the bill for that taxable year if the individual, business, or person were delinquent, as determined by the Administrative Board, or in one or more of the following: the Single Business Tax Act; the Income Tax Act; the City Income Tax Act; the plant rehabilitation and industrial development Act, the Commercial Redevelopment Act; the Enterprise Zone Act; Public Act 189 of 1953; the Technology Park Development Act; the Natural Resources and Environmental Protection Act; the Neighborhood Enterprise Zone Act; the City Utility Users Tax Act; and, the General Property Tax Act. In addition, an owner of residential real property in a renaissance zone, would be ineligible if the property were not

in compliance with all applicable State and local zoning, building, and housing laws, ordinances, or codes as determined by the Board.

Senate Bills 669 through 676

Senate Bill 669 would amend the Income Tax Act to specify that, notwithstanding any other provision in the Act, for the 1997 tax year and each tax year after the 1997 tax year, a person who was a resident of a renaissance zone would be exempt from the income tax to the extent and for the duration provided pursuant to the proposed Michigan Renaissance Zone Act.

The exemption would not apply to income derived from illegal activity. The exemption would continue through the tax year in which the renaissance zone designation expired.

Senate Bill 670 would amend the General Property Tax Act to provide that for taxes levied after 1996, except as otherwise provided and limited in the bill, real and personal property in a renaissance zone would be exempt from taxes collected under the Act to the extent and for the duration provided pursuant to the proposed Michigan Renaissance Zone Act.

Real and personal property in a renaissance zone would not be exempt from the following:

- A special assessment levied by the local tax collecting unit in which the property was located.
- Except as provided in the bill, a tax levied to pay principal and interest due on an obligation of a local taxing unit such as bonds, refunding bonds, notes, certificates of indebtedness, contracts or assessments for the payment of bonds, and other similar instruments issued or incurred by the local taxing unit that met one or more of the following requirements: evidenced a general obligation of that local taxing unit, pledged the full faith and credit of that local taxing unit, and/or was payable primarily or secondarily from taxes and/or special assessments.
- A tax levied under provisions of the School Code that permit the levy of a regional enhancement property tax for local school district operations (MCL 380.705); permit a school district to levy up to three additional mills for enhancing operating revenue (MCL 380.1211c); and, permit a school district to levy up to five mills for up to 20 years to

create a sinking fund to be used to purchase sites for, and construction or repair of, school buildings (MCL 380.1212).

The bill specifies that for residential rental property in a renaissance zone, this exemption would be available only if that property were in compliance with all applicable State and local zoning, building, and housing laws, ordinance, or codes. A property owner claiming an exemption for residential property in a renaissance zone would have to file an affidavit before December 31 in each tax year with the local taxing unit in which the property was located stating that the property complied with all applicable State and local zoning, building, and housing laws, ordinances, or codes. ("Residential rental property" would mean real property classified as residential real property under the Act, a multiple-unit dwelling, or a dwelling unit in a multiple purpose structure, used for residential purposes and not occupied by an owner of that property.)

Real property in a renaissance zone would be exempt from taxes captured to pay principal and interest due on bonds or notes issued under the Tax Increment Finance Authority Act, the downtown development authority Act, or the Local Development Financing Act.

The bill also specifies that the taxable value of property that was previously exempt under the bill would be the taxable value that property would have had under the Act if it had not been exempt.

Senate Bill 671 would amend the Neighborhood Enterprise Zone Act to provide that a new facility or a rehabilitated facility located in a renaissance zone under the proposed Michigan Renaissance Zone Act would be exempt from the neighborhood enterprise zone tax to the extent and for the duration provided pursuant to the proposed Renaissance Zone Act.

Senate Bill 672 would amend the Natural Resources and Environmental Protection Act to provide that commercial forest land located in a renaissance zone under the proposed Michigan Renaissance Zone Act would be exempt from the annual specific tax to the extent and for the duration provided pursuant to that Act.

Senate Bills 673, 674, and 675 would amend the Local Development Financing Act, the Tax Increment Finance Authority Act, and the downtown development authority Act, respectively, to require that the Legislature appropriate to local

development authorities the amount of tax increment revenues that an authority would have received if property taxes had been levied on property in an authority's jurisdiction that was exempt from taxation pursuant to the proposed Michigan Renaissance Zone Act.

(The Local Development Financing Act currently provides that if the amount of tax increment revenues lost as a result of the reduction of taxes levied by local school districts for school operating purposes required by the millage limitations under the School Code, reduced by the amount of tax increment revenues received from the capture of taxes levied under or attributable to the State Education Tax Act will cause the tax increment revenues received in a fiscal year by an authority to be insufficient to repay an eligible advance or an eligible obligation, the Legislature must appropriate and distribute to the authority the amount as calculated under the Act.)

Senate Bill 676 would amend the City Utility Users Tax Act to provide that for tax years beginning after December 31, 1996, a person or corporation would be exempt from the uniform city utility users tax ordinance to the extent and for the duration provided pursuant to the Michigan Renaissance Zone Act.

Legislative Analyst: L. Arasim

FISCAL IMPACT

These bills would have a fiscal impact on State and local governments; however, it is not possible to provide a meaningful estimate of the impact at this time. In order to estimate the fiscal impact of these bills, estimates would have to be made on such important factors as 1) where the renaissance zones would be located, 2) the number of businesses that would participate and the value of their operations, and 3) how much of the business activity that took place in a renaissance zone would represent new activity that would not have occurred anywhere in Michigan without the creation of renaissance zones. There is not enough information available at this time to make these estimates.

Fiscal Analyst: J. Wortley

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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.