

Legislative Analysis



RENAISSANCE ZONE AMENDMENTS

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House Bill 5600 (Substitute H-3)

Sponsor: Rep. Michael Sak

Committee: Commerce

Complete to 2-20-08

A SUMMARY OF HOUSE BILL 5600 AS REPORTED FROM COMMITTEE

The bill would amend the Michigan Renaissance Zone Act in the following ways:

** The definition of "renewable energy facility" would be expanded for the purpose of designating renewable energy renaissance zones.

Currently, a renewable energy facility is defined as a system that creates energy from a process using residues from agricultural products, forest production, paper products industries, and food production and processing; trees and grasses grown specifically to be used as energy crops; and gaseous fuels produced from solid biomass, animal wastes, or landfills.

Under the bill, such a facility would be defined as a facility that creates energy directly or fuel from the wind, the sun, trees, grasses, biosolids, algae, agricultural commodities or residues from agricultural processes, wood or forest processes, or from the paper products industry. Renewable energy facility would also include a facility that creates energy or fuels from solid biomass, biosolids, animal wastes, landfills or materials captured from landfills. The term would also include a facility that focuses on research, development, or manufacturing of systems or components of systems used to create energy or fuel from the items described above (as determined by the board of the Michigan Strategic Fund).

** If a renewable energy facility uses agricultural crops or residues or processed products from agricultural crops as its primary raw material source, the designation of a renaissance zone for renewable energy would require the recommendation of the Department of Agriculture (in addition to MSF board approval).

** Local units of government that had designated renaissance zones when such zones were first designated under state law could, through December 31, 2011, apply to the board of the Michigan Strategic Fund to seek to extend the duration of renaissance zone status for one or more portions of a zone for up to 15 years. However, this would only apply if the zone was in existence as of March 15, 2008 and if the extension would increase capital investment or job creation. The extension would be subject to a written development agreement between the MSF and the property owner that would spell out the conditions under which the extension was granted, the amount of capital investment or the number of jobs to be created, as well as other conditions. (However, an existing

requirement that a zone had not experienced significant development would be eliminated.)

The bill would also allow the MSF board to revoke the extension if it determined that capital investment or job creation would not begin within one year or if the written development agreement between the property owner and the MSF was violated.

**One additional specialized renaissance zone would be added. These kind of zones include the industry-specific zones such as alternative energy zones, pharmaceutical zones, and redevelopment zones.

**An existing tool and die recovery zone could be modified with MSF approval to add additional property under the same terms and conditions as the existing zone if (1) the additional property is contiguous to existing tool and die business property and will become qualified property once it is brought into operation; and (2) the city, village, or township where the business is located consents to the modification.

** A business located and conducting business in a renaissance zone could not be denied a tax exemption for failure to file a business tax return if the business had no tax liability under that act for the year the return was not filed. This would apply for tax years beginning on or after January 1, 2006.

BACKGROUND INFORMATION:

Renaissance zones are typically described as granting virtually tax-free status to the businesses or residents in them. Businesses in renaissance zones are exempt from the Michigan business tax (MBT), the six-mill state education tax, local real and personal property taxes, specific taxes levied in lieu of property taxes, and (in Detroit) the utility users tax, as well as state and city income taxes.

FISCAL IMPACT:

A fiscal analysis is in process.

POSITIONS:

The Michigan Economic Development Corporation (MEDC) supports the substitute. (2-19-08)

The City of Grand Rapids has indicated support for the bill. (2-19-08)

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