

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 885

A bill to amend 1996 PA 376, entitled
"Michigan renaissance zone act,"
by amending sections 3, 8d, 8e, 9, and 10 (MCL 125.2683, 125.2688d,
125.2688e, 125.2689, and 125.2690), section 3 as amended by 2006 PA
304, section 8d as amended by 2006 PA 93, section 8e as added by
2006 PA 270, and sections 9 and 10 as amended by 2007 PA 186.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3. As used in this act:

2 (a) "Agricultural processing facility" means 1 or more
3 facilities or operations that transform, package, sort, or grade
4 livestock or livestock products, agricultural commodities, or
5 plants or plant products, excluding forest products, into goods
6 that are used for intermediate or final consumption including goods
7 for nonfood use, and surrounding property.

1 (b) "Board" means the state administrative board created in
2 1921 PA 2, MCL 17.1 to 17.3.

3 (c) "Development plan" means a written plan that addresses the
4 criteria in section 7 and includes all of the following:

5 (i) A map of the proposed renaissance zone that indicates the
6 geographic boundaries, the total area, and the present use and
7 conditions generally of the land and structures within those
8 boundaries.

9 (ii) Evidence of community support and commitment from
10 residential and business interests.

11 (iii) A description of the methods proposed to increase economic
12 opportunity and expansion, facilitate infrastructure improvement,
13 and identify job training opportunities.

14 (iv) Current social, economic, and demographic characteristics
15 of the proposed renaissance zone and anticipated improvements in
16 education, health, human services, public safety, and employment if
17 the renaissance zone is created.

18 (v) Any other information required by the board.

19 (d) "Elected county executive" means the elected county
20 executive in a county organized under 1966 PA 293, MCL 45.501 to
21 45.521, or 1973 PA 139, MCL 45.551 to 45.573.

22 (e) "Forest products processing facility" means 1 or more
23 facilities or operations that transform, package, sort, recycle, or
24 grade forest or paper products into goods that are used for
25 intermediate or final use or consumption or for the creation of
26 biomass or alternative fuels through the utilization of forest
27 products or forest residue, and surrounding property. Forest

1 products processing facility does not include an existing facility
2 or operation that is located in this state that relocates to a
3 renaissance zone for a forest products processing facility. Forest
4 products processing facility does not include a facility or
5 operation that engages primarily in retail sales.

6 (f) "Local governmental unit" means a county, city, village,
7 or township.

8 (g) "Person" means an individual, partnership, corporation,
9 association, limited liability company, governmental entity, or
10 other legal entity.

11 (h) "Qualified local governmental unit" means either of the
12 following:

13 (i) A county.

14 (ii) A city, village, or township that contains an eligible
15 distressed area as defined in section 11 of the state housing
16 development authority act of 1966, 1966 PA 346, MCL 125.1411.

17 (i) "Recovery zone" means a tool and die renaissance recovery
18 zone created in section 8d.

19 (j) "Renaissance zone" means a geographic area designated
20 under this act.

21 (k) "Renewable energy facility" means a system that creates
22 energy from a process using **AGRICULTURAL CROPS OR PROCESSED**
23 **PRODUCTS FROM AGRICULTURAL CROPS;** residues from agricultural
24 products, forest products, paper products industries, and food
25 production and processing; trees and grasses grown specifically to
26 be used as energy crops; and gaseous fuels produced from solid
27 biomass, animal wastes, or landfills.

1 (l) "Residential rental property" means that term as defined in
2 section 7ff of the general property tax act, 1893 PA 206, MCL
3 211.7ff.

4 (m) "Review board" means the renaissance zone review board
5 created in section 5.

6 (n) "Rural area" means an area that lies outside of the
7 boundaries of an urban area.

8 (o) "Urban area" means an urbanized area as determined by the
9 economics and statistics administration, United States bureau of
10 the census according to the 1990 census.

11 Sec. 8d. (1) The board of the Michigan strategic fund
12 described in section 4 of the Michigan strategic fund act, 1984 PA
13 270, MCL 125.2004, may designate not more than 25 tool and die
14 renaissance recovery zones within this state in 1 or more cities,
15 villages, or townships if that city, village, or township or
16 combination of cities, villages, or townships consents to the
17 creation of a recovery zone within their boundaries. A recovery
18 zone shall have a duration of renaissance zone status for a period
19 of not less than 5 years and not more than 15 years as determined
20 by the board of the Michigan strategic fund. If the Michigan
21 strategic fund determines that the duration of renaissance zone
22 status for a recovery zone is less than 15 years, then the Michigan
23 strategic fund, with the consent of the city, village, or township
24 or combination of cities, villages, or townships in which the
25 qualified tool and die business is located, may extend the duration
26 of renaissance zone status for the recovery zone for 1 or more
27 periods that when combined do not exceed 15 years. Not less than 1

1 of the recovery zones shall consist of 1 or more qualified tool and
2 die businesses that have a North American industrial classification
3 system (NAICS) of 332997.

4 (2) The board of the Michigan strategic fund may designate a
5 recovery zone within this state if the recovery zone consists of
6 not less than 4 and not more than 20 qualified tool and die
7 businesses at the time of designation. If the board of the Michigan
8 strategic fund designated 1 or more recovery zones that contain
9 less than 20 qualified tool and die businesses before December 19,
10 2005, the board of the Michigan strategic fund may add additional
11 qualified tool and die businesses to that recovery zone subject to
12 the limitations contained in this subsection. A recovery zone shall
13 consist of only qualified tool and die business property. The board
14 of the Michigan strategic fund may combine existing recovery zones
15 that are comprised solely of tool and die businesses that are
16 parties to the same qualified collaborative agreement. Where 2 or
17 more recovery zones have been combined, the board of the Michigan
18 strategic fund may continue to designate additional recovery zones,
19 provided that no more than 25 tool and die recovery zones exist at
20 1 time.

21 (3) The board of the Michigan strategic fund may revoke the
22 designation of all or a portion of a recovery zone with respect to
23 1 or more qualified tool and die businesses if those qualified tool
24 and die businesses fail or cease to participate in or comply with a
25 qualified collaborative agreement. A qualified tool and die
26 business may enter into another qualified collaborative agreement
27 once it is designated part of a recovery zone.

1 (4) One or more qualified tool and die businesses subject to a
2 qualified collaborative agreement may merge into another group of
3 qualified tool and die businesses subject to a different qualified
4 collaborative agreement upon application to and approval by the
5 Michigan strategic fund.

6 (5) A qualified tool and die business in a recovery zone may
7 have a different period of renaissance zone status than other
8 qualified tool and die businesses in the same recovery zone.

9 (6) The board of the Michigan strategic fund may modify an
10 existing recovery zone to add 1 or more qualified tool and die
11 businesses with the consent of all other qualified tool and die
12 businesses that are participating in the recovery zone.

13 **(7) THE BOARD OF THE MICHIGAN STRATEGIC FUND MAY MODIFY AN**
14 **EXISTING RECOVERY ZONE TO ADD ADDITIONAL PROPERTY UNDER THE SAME**
15 **TERMS AND CONDITIONS AS THE EXISTING RECOVERY ZONE IF ALL OF THE**
16 **FOLLOWING ARE MET:**

17 **(A) THE ADDITIONAL REAL PROPERTY IS CONTIGUOUS TO EXISTING**
18 **QUALIFIED TOOL AND DIE BUSINESS PROPERTY AND WILL BECOME QUALIFIED**
19 **TOOL AND DIE BUSINESS PROPERTY ONCE IT IS BROUGHT INTO OPERATION AS**
20 **DETERMINED BY THE BOARD OF THE MICHIGAN STRATEGIC FUND.**

21 **(B) THE CITY, VILLAGE, OR TOWNSHIP IN WHICH THE QUALIFIED TOOL**
22 **AND DIE BUSINESS IS LOCATED CONSENTS TO THE MODIFICATION.**

23 **(8) ~~(7)~~—As used in this section:**

24 (a) "Qualified collaborative agreement" means an agreement
25 that demonstrates synergistic opportunities, including, but not
26 limited to, all of the following:

27 (i) Sales and marketing efforts.

1 (ii) Development of standardized processes.

2 (iii) Development of tooling standards.

3 (iv) Standardized project management methods.

4 (v) Improved ability for specialized or small niche shops to
5 develop expertise and compete successfully on larger programs.

6 (b) "Qualified tool and die business" means a business entity
7 that meets all of the following:

8 (i) Has a North American industrial classification system
9 (NAICS) of 332997, 333511, 333512, 333513, 333514, or 333515; or
10 has a North American industrial classification system (NAICS) of
11 337215 and operates a facility within an existing renaissance zone,
12 which facility is adjacent to real property not located in a
13 renaissance zone and is located within 1/4 mile of a Michigan
14 technical education center.

15 (ii) Has entered into a qualified collaboration agreement as
16 approved by the Michigan strategic fund consisting of not fewer
17 than 4 or more than 20 other business entities at the time of
18 designation that have a North American industrial classification
19 system (NAICS) of 332997, 333511, 333512, 333513, 333514, or
20 333515.

21 (iii) Has fewer than 75 full-time employees.

22 (c) "Qualified tool and die business property" means 1 or more
23 of the following:

24 (i) Property owned by 1 or more qualified tool and die
25 businesses and used by those qualified tool and die businesses
26 primarily for tool and die business operations. Qualified tool and
27 die business property is used primarily for tool and die business

1 operations if the qualified tool and die businesses that own the
2 qualified tool and die business property generate 75% or more of
3 the qualified tool and die businesses' gross revenue from tool and
4 die operations that take place on the qualified tool and die
5 business property at the time of designation.

6 (ii) Property leased by 1 or more qualified tool and die
7 business for which the qualified tool and die business is liable
8 for ad valorem property taxes and which is used by those qualified
9 tool and die businesses primarily for tool and die business
10 operations. Qualified tool and die business property is used
11 primarily for tool and die business operations if the qualified
12 tool and die businesses that lease the qualified tool and die
13 business property generate 75% or more of the qualified tool and
14 die businesses' gross revenue from tool and die operations that
15 take place on the qualified tool and die business property at the
16 time of designation. The qualified tool and die business shall
17 furnish proof of its ad valorem property tax liability to the
18 department of treasury.

19 Sec. 8e. (1) The board, upon recommendation of the board of
20 the Michigan strategic fund defined in section 4 of the Michigan
21 strategic fund act, 1984 PA 270, MCL 125.2004, **AND UPON**
22 **RECOMMENDATION OF THE COMMISSION OF AGRICULTURE IF THE RENEWABLE**
23 **ENERGY FACILITY USES AGRICULTURAL CROPS OR RESIDUES, OR PROCESSED**
24 **PRODUCTS FROM AGRICULTURAL CROPS AS ITS PRIMARY RAW MATERIAL**
25 **SOURCE**, may designate not more than 10 additional renaissance zones
26 for renewable energy facilities within this state in 1 or more
27 cities, villages, or townships if that city, village, or township

1 or combination of cities, villages, or townships consents to the
2 creation of a renaissance zone for a renewable energy facility
3 within their boundaries.

4 (2) Each renaissance zone designated for a renewable energy
5 facility under this section shall be 1 continuous distinct
6 geographic area.

7 (3) The board may revoke the designation of all or a portion
8 of a renaissance zone for a renewable energy facility if the board
9 determines that the renewable energy facility does 1 or more of the
10 following in a renaissance zone designated under this section:

11 (a) Fails to commence operation.

12 (b) Ceases operation.

13 (c) Fails to commence construction or renovation within 1 year
14 from the date the renaissance zone for the renewable energy
15 facility is designated.

16 (4) When designating a renaissance zone for a renewable energy
17 facility, the board shall consider all of the following:

18 (a) The economic impact on local suppliers who supply raw
19 materials, goods, and services to the renewable energy facility.

20 (b) The creation of jobs relative to the employment base of
21 the community rather than the static number of jobs created.

22 (c) The viability of the project.

23 (d) The economic impact on the community in which the
24 renewable energy facility is located.

25 (e) All other things being equal, giving preference to a
26 business entity already located in this state.

27 (f) Whether the renewable energy facility can be located in an

1 existing renaissance zone designated under section 8 or 8a.

2 (5) Beginning on ~~the effective date of the amendatory act that~~
3 ~~added this subsection~~ **JULY 7, 2006**, the board shall require a
4 development agreement between the Michigan strategic fund and the
5 renewable energy facility.

6 (6) Until the maximum number of additional renaissance zones
7 for renewable energy facilities described in subsection (1) is met,
8 if the board designates a renaissance zone under this section,
9 section 8c, or section 8f for a facility that is a forest products
10 processing facility or an agricultural processing facility and that
11 also meets the definition of a renewable energy facility, then the
12 board shall only designate that renaissance zone as a renaissance
13 zone for a renewable energy facility under this section.

14 (7) As used in this section, "development agreement" means a
15 written agreement between the Michigan strategic fund and the
16 renewable energy facility that includes, but is not limited to, all
17 of the following:

18 (a) A requirement that the renewable energy facility comply
19 with all state and local laws.

20 (b) A requirement that the renewable energy facility report
21 annually to the Michigan strategic fund on all of the following:

22 (i) The amount of capital investment made at the facility.

23 (ii) The number of individuals employed at the facility at the
24 beginning and end of the reporting period as well as the number of
25 individuals transferred to the facility from another facility owned
26 by the renewable energy facility.

27 (iii) The percentage of raw materials purchased in this state.

1 (c) Any other conditions or requirements reasonably required
2 by the Michigan strategic fund.

3 Sec. 9. (1) Except as otherwise provided in section 10, an
4 individual who is a resident of a renaissance zone or a business
5 that is located and conducts business activity within a renaissance
6 zone shall receive the exemption, deduction, or credit as provided
7 in the following for the period provided under section 6(2)(b):

8 (a) Section 39b of ~~the single business tax act, FORMER~~ 1975 PA
9 228, ~~MCL 208.39b~~, or section 433 of the Michigan business tax act,
10 2007 PA 36, MCL 208.1433.

11 (b) Section 31 of the income tax act of 1967, 1967 PA 281, MCL
12 206.31.

13 (c) Section 35 of chapter 2 of the city income tax act, 1964
14 PA 284, MCL 141.635.

15 (d) Section 5 of the city utility users tax act, 1990 PA 100,
16 MCL 141.1155.

17 (2) Except as otherwise provided in section 10, property
18 located in a renaissance zone is exempt from the collection of
19 taxes under all of the following:

20 (a) Section 7ff of the general property tax act, 1893 PA 206,
21 MCL 211.7ff.

22 (b) Section 11 of 1974 PA 198, MCL 207.561.

23 (c) Section 12 of the commercial redevelopment act, 1978 PA
24 255, MCL 207.662.

25 (d) Section 21c of the enterprise zone act, 1985 PA 224, MCL
26 125.2121c.

27 (e) Section 1 of 1953 PA 189, MCL 211.181.

1 (f) Section 12 of the technology park development act, 1984 PA
2 385, MCL 207.712.

3 (g) Section 51105 of the natural resources and environmental
4 protection act, 1994 PA 451, MCL 324.51105.

5 (h) Section 9 of the neighborhood enterprise zone act, 1992 PA
6 147, MCL 207.779.

7 (3) ~~During~~ **EXCEPT FOR TOOL AND DIE RENAISSANCE RECOVERY ZONES**
8 **THAT HAVE A DURATION OF LESS THAN 15 YEARS, DURING** the last 3 years
9 that the taxpayer is eligible for an exemption, deduction, or
10 credit described in subsections (1) and (2), the exemption,
11 deduction, or credit shall be reduced by the following percentages:

12 (a) For the tax year that is 2 years before the final year of
13 designation as a renaissance zone, the percentage shall be 25%.

14 (b) For the tax year immediately preceding the final year of
15 designation as a renaissance zone, the percentage shall be 50%.

16 (c) For the tax year that is the final year of designation as
17 a renaissance zone, the percentage shall be 75%.

18 Sec. 10. (1) An individual who is a resident of a renaissance
19 zone or a business that is located and conducts business activity
20 within a renaissance zone or a person that owns property located in
21 a renaissance zone is not eligible for the exemption, deduction, or
22 credit listed in section 9(1) or (2) for that taxable year if 1 or
23 more of the following apply:

24 (a) The resident, business, or property owner is delinquent on
25 December 31 of the prior tax year under 1 or more of the following:

26 (i) ~~The single business tax act, FORMER 1975 PA 228, MCL 208.1~~
27 ~~to 208.145,~~ or the Michigan business tax act, 2007 PA 36, MCL

1 208.1101 to 208.1601.

2 (ii) The income tax act of 1967, 1967 PA 281, MCL 206.1 to
3 206.532.

4 (iii) 1974 PA 198, MCL 207.551 to 207.572.

5 (iv) The commercial redevelopment act, 1978 PA 255, MCL 207.651
6 to 207.668.

7 (v) The enterprise zone act, 1985 PA 224, MCL 125.2101 to
8 125.2123.

9 (vi) 1953 PA 189, MCL 211.181 to 211.182.

10 (vii) The technology park development act, 1984 PA 385, MCL
11 207.701 to 207.718.

12 (viii) Part 511 of the natural resources and environmental
13 protection act, 1994 PA 451, MCL 324.51101 to 324.51120.

14 (ix) The neighborhood enterprise zone act, 1992 PA 147, MCL
15 207.771 to 207.786.

16 (x) The city utility users tax act, 1990 PA 100, MCL 141.1151
17 to 141.1177.

18 (b) The resident, business, or property owner is substantially
19 delinquent as defined in a written policy by the qualified local
20 governmental unit in which the renaissance zone is located on
21 December 31 of the prior tax year under 1 or both of the following:

22 (i) The city income tax act, 1964 PA 284, MCL 141.501 to
23 141.787.

24 (ii) Taxes, fees, and special assessments collected under the
25 general property tax act, 1893 PA 206, MCL 211.1 to 211.155.

26 (c) For residential rental property in a renaissance zone, the
27 residential rental property is not in substantial compliance with

1 all applicable state and local zoning, building, and housing laws,
2 ordinances, or codes and, except as otherwise provided in this
3 subdivision, the residential rental property owner has not filed an
4 affidavit before December 31 in the immediately preceding tax year
5 with the local tax collecting unit in which the residential rental
6 property is located as required under section 7ff of the general
7 property tax act, 1893 PA 206, MCL 211.7ff. Beginning December 31,
8 2004, a residential rental property owner is not required to file
9 an affidavit if the qualified local governmental unit in which the
10 residential rental property is located determines that the
11 residential rental property is in substantial compliance with all
12 applicable state and local zoning, building, and housing laws,
13 ordinances, and codes on December 31 of the immediately preceding
14 tax year.

15 (2) An individual who is a resident of a renaissance zone is
16 eligible for an exemption, deduction, or credit under section 9(1)
17 and (2) until the department of treasury determines that the
18 aggregate state and local tax revenue forgone as a result of all
19 exemptions, deductions, or credits granted under this act to that
20 individual reaches \$10,000,000.00.

21 (3) A casino located and conducting business activity within a
22 renaissance zone is not eligible for the exemption, deduction, or
23 credit listed in section 9(1) or (2). Real property in a
24 renaissance zone on which a casino is operated, personal property
25 of a casino located in a renaissance zone, and all property
26 associated or affiliated with the operation of a casino is not
27 eligible for the exemption, deduction, or credit listed in section

Senate Bill No. 885 (H-3) as amended March 20, 2008

1 9(1) or (2). As used in this subsection, "casino" means a casino or
2 a parking lot, hotel, motel, or retail store owned or operated by a
3 casino, an affiliate, or an affiliated company, regulated by this
4 state pursuant to the Michigan gaming control and revenue act, ~~the~~
5 ~~Initiated Law of 1996~~ 1996 IL 1, MCL 432.201 to 432.226.

6 (4) For tax years beginning on or after January 1, 1997, an
7 individual who is a resident of a renaissance zone shall not be
8 denied the exemption under subsection (1) if the individual failed
9 to file a return on or before December 31 of the prior tax year
10 under subsection (1)(a)(ii) and that individual was entitled to a
11 refund under that act.

12 (5) FOR TAX YEARS BEGINNING ON OR AFTER JANUARY 1, 2006, A
13 BUSINESS THAT IS LOCATED AND CONDUCTS BUSINESS ACTIVITY WITHIN A
14 RENAISSANCE ZONE SHALL NOT BE DENIED THE EXEMPTION UNDER SUBSECTION
15 (1) IF THE BUSINESS FAILED TO FILE A RETURN ON OR BEFORE DECEMBER
16 31 OF THE PRIOR TAX YEAR UNDER SUBSECTION (1)(A)(i) AND THAT
17 BUSINESS HAD NO TAX LIABILITY UNDER THAT ACT FOR THE TAX YEAR FOR
18 WHICH THE RETURN WAS NOT FILED.

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