




Senate Fiscal Agency
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 BILL ANALYSIS

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Senate Bill 1006 (as enacted)
House Bill 5584 (as enacted)
Sponsor: Senator Mike Nofs (S.B. 1006)
Representative Kate Segal (H.B. 5584)
Senate Committee: Commerce and Tourism
House Committee: Intergovernmental and Regional Affairs

PUBLIC ACT 214 of 2009
PUBLIC ACT 213 of 2009

Date Completed: 3-5-10

RATIONALE

Public Acts 37, 38, 39, and 40 of 2007 amended the Revised School Code, the State Education Tax (SET) Act, the plant rehabilitation and industrial development Act (commonly referred to as P.A. 198), and the General Property Tax Act, respectively, to exempt commercial and industrial personal property from the SET and school operating mills. Public Acts 154, 155, 156, and 157 of 2008 amended the Brownfield Redevelopment Financing Act, the Local Development Financing Act, the Tax Increment Finance Authority (TIFA) Act, and the downtown development authority (DDA) Act, respectively, to provide for SET revenue to be paid to various authorities, if the amount of tax increment revenue they lost as a result of Public Acts 37 to 40 of 2007 reduced the allowable school tax capture the authorities received in a fiscal year. Under the 2008 legislation, an authority eligible to have SET revenue retained and paid to it had to apply for approval with the Department of Treasury by June 15, 2008, and by June 1 of each subsequent year.

In 2009, apparently some TIFAs and DDAs inadvertently missed the June 1 deadline to apply for the retention of SET revenue. It was suggested that the 2009 application and response deadlines be extended to accommodate those authorities.

CONTENT

Senate Bill 1006 and House Bill 5584 amended the Tax Increment Finance Authority Act and the downtown

development authority Act, respectively, to revise the 2009 deadline for TIFAs and DDAs to apply with the Department of Treasury for approval to have taxes levied under the State Education Tax Act retained and paid to those authorities. The bills also revised the 2009 deadline for the Department to approve, modify, or deny an application.

The TIFA Act allows municipalities to create and provide for an authority to use tax increment financing to prevent urban deterioration and encourage economic development. The DDA Act allows municipalities to create authorities in order to fund improvements to their business districts, and allows DDAs to finance their activities by various methods, including tax increment financing (which "captures" tax revenue on the incremental increase in property value).

Under the TIFA and DDA Acts, if the amount of tax increment revenue lost as a result of the personal property tax exemptions enacted by Public Acts 37 through 40 of 2007 will reduce the allowable school tax capture received in a fiscal year by a TIFA or DDA, the authority, with the approval of the Department of Treasury, may request the local tax collecting treasurer to retain and pay to the authority taxes levied under the SET Act to be used for certain purposes.

If an authority is eligible to have SET revenue retained and paid to the authority,

it had to apply for approval with the Department of Treasury by June 15, 2008, and June 1, 2009, and must apply by June 1 of each subsequent year. The Department must approve, modify, or deny the application by August 15 of each year.

Under the bills, the 2009 deadline for an authority to apply for approval is September 30. For 2009 only, the deadline for the Department to approve, modify, or deny the application is 30 days after the bill's effective date.

The bills took effect on January 4, 2010.

MCL 125.1812b (S.B. 1006)
125.1663c (H.B. 5584)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bills provide a one-time extension of the annual filing deadline for TIFAs and DDAs to apply to the Department of Treasury for the local tax collecting treasurer to retain and pay to the authorities taxes levied under the SET Act. Several TIFAs and DDAs inadvertently missed the 2009 deadline to request the Department's approval, and the bills allow their late applications to be considered.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bills potentially will reduce the School Aid Fund by an unknown, and likely minimal, amount during FY 2009-10. The bills potentially will increase local revenue to affected authorities by the same amount. The bills extend the deadline for DDAs and TIFAs to seek approval to capture State Education Tax revenue. The captured tax revenue will be received by the authorities affected by the bill, rather than the School Aid Fund. The magnitude of any changes will depend upon the specific characteristics of the affected DDAs and TIFAs.

Fiscal Analyst: David Zin

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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.