

# Legislative Analysis



## REVISE 2011 DDA FILING DEADLINE FOR RETENTION OF STATE EDUCATION TAX

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### House Bill 5557

**Sponsor: Rep. Margaret E. O'Brien**

**Committee: Tax Policy**

**Complete to 5-15-12**

### A SUMMARY OF HOUSE BILL 5557 AS INTRODUCED 4-24-12

The bill would change, for 2011 only, the deadlines in the process whereby downtown development authorities apply to the Department of Treasury for approval to receive State Education Tax revenues to be used to meet certain debt obligations.

When the (now-phasing out) Michigan Business Tax was put in place, related legislation granted abatements from school operating taxes for commercial and industrial personal property. This had the effect of reducing school tax revenue that was previously being captured by various tax increment finance authorities. Subsequently, legislation was enacted to allow for State Education Tax revenue to be retained by tax increment authorities, in order to make up for shortfalls in revenue needed for the repayment of certain debt obligations.

A process was put in place that required downtown development authorities (and other tax increment finance authorities) to seek the approval of the Department of Treasury to have State Education Tax revenues retained by the local tax collecting unit and paid to an authority. An authority had to apply for Treasury approval by June 15 of 2008 (the first year) and then by June 1 of each subsequent year. The Department of Treasury was required to approve, modify, or deny an authority's application not later than August 15 each year.

House Bill 5557 would amend the Downtown Development Authority Act allow, for 2011 only, an authority to apply to Treasury by no later than June 15 (instead of June 1) for approval to receive State Education Tax revenues. The deadline for Treasury response to the 2011 application would be 30 days after the effective date of HB 5557.

### BACKGROUND INFORMATION:

A similar bill was enacted in the 2009-2010 legislative session as Public Act 213 of 2009 (House Bill 5584). That bill applied to 2009 only and extended the deadline for a DDA application to the Department of Treasury to September 30, and delayed the date of the required Treasury response accordingly.

[A downtown development authority is a type of tax increment finance authority available to a city, village, or township. Typically, a DDA captures the growth in tax revenue within a designated development area for use in financing a variety of public

improvements in the area, as well as for such activities as property acquisition, marketing, and operations. The act says a municipality can create a DDA by resolution in order "to halt property value deterioration and increase property tax valuation where possible in its business district, to halt the causes of that deterioration, and to promote economic growth." DDAs often issue bonds to carry out their functions and use the captured tax revenue to pay the bonds.]

**FISCAL IMPACT:**

By extending the deadline, the bill appears to allow a local unit of government to receive State Education Tax revenues it otherwise would have lost. The amount of SET revenues that would be reclaimed from the state in this case is not known.

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