



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

House Bill 5557 (as passed by the House)  
Sponsor: Representative Margaret E. O'Brien  
House Committee: Tax Policy  
Senate Committee: Economic Development

Date Completed: 12-5-12

### **CONTENT**

**The bill would amend the downtown development authority (DDA) Act to revise the 2011 deadline for a DDA to apply with the Department of Treasury for approval to have taxes levied under the State Education Tax Act retained and paid to the DDA.**

The 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).

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 DDA, the authority, with the approval of the Department of Treasury, may request the local tax collecting treasurer to retain and pay the authority taxes levied under the State Education Tax Act to be used for certain purposes.

If a DDA is eligible for SET revenue, it must apply for approval with the Department by June 1. The Department must approve, modify, or deny the application by August 15.

Under the bill, for 2011 only, a DDA would have to have applied for approval by June 15. In addition, for 2011 only, the Department would have to approve, modify, or deny the application within 30 days after the bill's effective date.

MCL 125.1663c

### **BACKGROUND**

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 Act, and the 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 the 2007 amendments 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, September 30, 2009, and June 1 of each subsequent year.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

To the extent the extension created by the bill would result in the capture of State Education Tax revenue that otherwise would not be captured, the bill would reduce State School Aid Fund revenue by an unknown amount that would depend on the specific characteristics of the affected DDAs.

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.