

TAX INCREMENT FINANCING AND PERSONAL PROPERTY TAX EXEMPTIONS

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Senate Bill 1222 as passed by the Senate
Senate Bill 1223 as reported from House committee
Sponsor: Sen. Mike Nofs
House Committee: Tax Policy
Senate Committee: Economic Development and International Investment
Complete to 12-17-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bills 1222 and 1223 would modify the Brownfield Redevelopment Financing Act and Part 2 (Downtown Development Authorities), Part 3 (Tax Increment Finance Authorities), and Part 4 (Local Development Finance Authorities) of the Recodified Tax Increment Financing Act, respectively, to amend the formula used to calculate the amount of revenue the local treasurer would have to retain and pay to an authority for reduced allowable school tax capture beginning January 1, 2019. The bills would also make the exemption of industrial personal property from school operating taxes eligible for reimbursement with State Education Tax (SET) revenue.

Under current law for each Act and Part, if the amount of tax increment revenues lost as a result of certain personal property exemptions under the Revised School Code, the State Education Tax Act, the Plant Rehabilitation and Industrial Development Districts Act, and the General Property Tax Act would reduce the allowable school tax capture received in a fiscal year, then, with the Department of Treasury's approval, the authority may request that the local tax collecting treasurer retain and reimburse the authority revenue lost from the 6-mill SET to be used for certain specified purposes related to outstanding obligations and activities. The bills would add the exemption of industrial personal property from school operating taxes under Section 1211(1) of the Revised School Code as an eligible reimbursement.

The current law formula for the aggregate amounts that may be paid to applicable authorities includes a factor that is determined by calculating the amount by which the tax increment revenues the authority would have received and retained for the fiscal year, excluding taxes exempt under Section 7ff of the General Property Tax Act if the personal property tax exemptions described above were not in effect, exceed the tax increment revenues the authority actually received for the fiscal year. The bills would change this factor for fiscal years beginning January 1, 2019 by requiring the amount to be calculated using the greater of the following:

- The captured assessed value of industrial personal property, commercial personal property, and the personal property component of exemption certificates granted under the Plant Rehabilitation and Industrial Development Act, that were sited on property classified as either industrial or commercial, for the authority's fiscal year ending in the current year.

- The 2013 captured assessed value of industrial personal property, commercial personal property, and the personal property component of exemption certificates granted under the Plant Rehabilitation and Industrial Development Act, that were sited on property classified as industrial or commercial.

MCL 125.2665a (Senate Bill 1222)

MCL 125.4213c, et al. (Senate Bill 1223)

FISCAL IMPACT:

The bills would reduce State School Aid Fund (SAF) revenues and increase revenues to any affected tax increment financing authorities by an equal amount. According to the Department of Treasury, the overall revenue loss to the SAF is expected to be approximately \$3.5 million annually.

The provisions of the bills affect primarily three authorities in the state: the Detroit Local Development Finance Authority (LDFA), the Battle Creek Downtown Development Authority (DDA), and the Battle Creek Tax Increment Finance Authority (TIFA). The Detroit LDFA would be eligible for a reimbursement of approximately \$1.3 million annually from the SET until its eligible obligation is paid off, which is estimated to occur in about five years. The Battle Creek DDA and TIFA recently refunded outstanding debt and would be eligible for reimbursements for between 15 and 25 years. The Battle Creek DDA and TIFA would be eligible for annual reimbursements from the SET of \$1.5 million and \$650,000, respectively.

Various Brownfield Redevelopment Financing Authorities (BRFA) would be eligible for total SET reimbursements in an amount totaling less than \$100,000 annually.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.