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BILL ANALYSIS

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Senate Bill 289 (as enacted) **PUBLIC ACT 89 of 2023**
Sponsor: Senator Jeremy Moss
Senate Committee: Economic and Community Development
House Committee: Economic Development and Small Business

Date Completed: 11-27-23

RATIONALE

The transformational brownfield program is the sole program supporting often large economic redevelopment projects in cities and town centers. Many communities with a brownfield site could benefit from a transformational brownfield plan (TBP); however, these communities vary in size, geographic location, and need. Some are older, economically challenged, or diverse, like Detroit. Some are young and growing, such as Grand Rapids. Some are small and remote, like Munising. While the TBP program gives these communities an accessible way to use obsolete land, some argue that various TBPs require specific tools and that the program does not provide enough flexibility. Accordingly, it was suggested that the program be modified to offer communities a greater range of assets and amenities that could be tailored to fit them and their TBPs.

CONTENT

The bill amended the Brownfield Redevelopment Act to do the following:

-- **Define "sales tax", "use tax", "initial sales and use tax value", and "sales and use tax capture revenues".**
-- **Prescribe the process by which the State Treasurer will calculate sales and use tax capture revenues for a TBP.**
-- **Require the Michigan Strategic Fund (MSF) to include certain provisions in any development or reimbursement agreement for a TBP that uses sales and use tax capture revenues.**
-- **Include sales and use tax capture revenues in provisions that allow for, and prescribe requirements for, the use of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and tax increment revenues.**
-- **Add a provision allowing a brownfield redevelopment authority to amend the beginning date of capture of certain revenues for an eligible property included within a related program of investment to a date later than five years following the date of approval if the governing body and MSF determine that the developer has made progress in the implementation of the related program of investment.**
-- **Increase the cap on total annual capture from $40.0 million to $80.0 million.**
-- **Require that, if the amount of total annual tax capture committed or dispersed in a calendar year is less than the amount committed and scheduled to be dispersed for that year under approved TBPs, the undispersed amount for that year must be available to be dispersed in subsequent calendar years, in addition to annual limits otherwise applicable.**
-- **Increase, from $800.0 million to $1.6 billion, the cap on the total amount of income tax capture revenues and withholding tax captures revenues that the MSF and Department of Treasury may commit.**

-- Delete a requirement that the State Treasurer take corrective action if the value of the actual sales and use tax exemptions and construction period tax capture revenues under all TBPs exceeded the limit of $200.0 million.
-- Require between 33% and 38% of the total TBPs approved before December 31, 2027, to be located in cities, villages, and townships with a population of less than 100,000 and between 33% and 38% to be located in cities, villages, and townships with a population between 100,000 and 225,000.

The bill took effect July 19, 2023.

<u>TBP Captured Revenues; Include Sales and Use Tax Capture Revenues</u>

Among other requirements, a TBP must be for mixed-use development (retail, office, residential) and must result in specified levels of capital investment based on the local municipality's population size, such as a capital investment of $15.0 million in a municipality that has a population size of less than 25,000. These requirements do not apply to other forms of brownfield plans; however, a TBP may use specified tax increment revenues in whole or in part for financing, in addition to the property tax revenue that other brownfield plans may utilize. These specified tax increment revenues include construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues.

Under the bill, a TBP also may use sales and use tax capture revenues. "Sales and use tax capture revenues" means, with respect to eligible property subject to a TBP, the amount for each calendar year by which the sales tax and use tax collected from persons within the eligible property exceeds the initial sales and use tax value. For persons with multiple business locations, the applicable amount of sales and use tax is only the sales tax and use tax collections attributable to the business location within the eligible property.

"Initial sales and use tax value" means, with respect to eligible property subject to a TBP, the aggregate amount of sales tax and use tax collected from persons located within the eligible property for the tax year in which the resolution adding that eligible property in the TBP is adopted. For persons with multiple business locations, the applicable amount of sales tax and use tax is only the sales tax and use tax collections attributable to the business location within the eligible property.

"Sales tax" means the tax levied and imposed under the General Sales Tax Act. "Use tax" means the tax levied and imposed under the Use Tax Act, including both the local community stabilization tax and the State share as those terms are defined in the Use Tax Act.

<u>TBP Requirements</u>

A brownfield redevelopment authority is a public body corporate that manages an eligible property within its designated municipality. It is run by a board appointed by the governing body of the municipality in which the authority lies. The board may implement a TBP. Previously, a TBP could only authorize the use of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues to fund the authority and its eligible activities. The bill allows a TBP to use sales and use tax capture revenues, as well.

A TBP must contain all the following:

-- The basis for designating the plan as a TBP.

-- A description of the TBP's costs intended to be paid for with construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues.
-- An estimate of the amount of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues expected to be generated for each year of the TBP from the eligible property.
-- The beginning date and duration of capture of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues for each eligible property.

A brownfield redevelopment authority may not use construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues for the following purposes:

-- To pay for eligible activities conducted *before* approval of the TBP, unless those costs are incurred within 90 days of the plan's approval by the MSF and are subsequently included in a TBP approved by the governing body and the MSF, a combined brownfield plan or workplan approved by the MSF, and a written development or reimbursement agreement.
-- To pay for any expense other than the costs of eligible activities within the TBP to which the revenues are attributable, including the cost of principal of and interest on any obligation to pay the cost of the eligible activities, except for the reasonable costs for preparing a TBP and the additional administrative and operating expenses of the authority or municipality that are specifically associated with the implementation of a TBP, such as the cost of preparing an associated work plan, combined brownfield plan, and development or reimbursement agreement.

A TBP may provide for the use of part or all the tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues. The portion of these revenues to be used may vary over the duration of the TBP, but the portion intended to be used must be clearly stated in the plan.

If a TBP authorizes the use of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues, the following are required:

-- Approval by the MSF of a combined brownfield plan or workplan.
-- A written development or reimbursement agreement between the owner or developer of the eligible property, the authority, and the MSF.

<u>TBP Approval</u>

In determining whether to approve a TBP, the MSF must conduct a financial and underwriting analysis of the developments included in the plan. The analysis must consider both projected rental rates at the time of project delivery and potential increases in rental rates over time. The MSF may not approve the use of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues beyond the amount determined to be necessary for the project to be economically viable. The bill requires this of use and sales tax revenues, as well, and includes these revenues in the Act's provisions as described below.

To determine the viability of these revenues, the MSF must consider the impact of the sales and use tax exemptions under the General Tax Act and the Use Tax Act. The MSF requires an independent, third-party underwriting analysis for any plan that proposes to use more than $10.0 million in any year in withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues as determined by the first full year of tax capture under the plan. Additionally, under the bill, the MSF must require an independent, third-party analysis of the sales and use tax capture revenue estimates for any plan that includes sales and use tax capture revenues. The owner or developer of the eligible property must pay the cost for this analysis.

The bill prohibits an authority from submitting a request for approval of a work plan or a combined brownfield plan for a TBP until all required financial analysis are complete.

Under the Act, if the governing body determines that a TBP constitutes a public purpose, the governing body may approve or reject the plan, or approve it with modification, by resolution. Among other things, the governing body must consider whether the amount of captured taxable value, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues estimated to result from adoption of the TBP are reasonable.

On approval of the TBP by the governing body and MSF, and the execution of the written development or reimbursement agreement, the transfer and distribution of tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues as specified in the Act and in the plan are binding on the State and the collection and transmission of the amount of tax increment revenues as specified in the Act and in the plan are binding on all taxing units levying ad valorem property taxes or specific taxes against property subject to the TBP.

On approval by the MSF, the amount of tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues authorized to be captured under a TBP may include amounts required for the payment of interest. A written development or reimbursement agreement must be entered into before any reimbursement or payment using tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues may commence.

The MSF requires the owner or developer of the eligible property to certify the actual capital investment on the completion of construction and before the commencement of reimbursement from withholding tax capture revenues, income tax capture revenues, tax increment revenues, or sales and use tax capture revenues for the plan or the distinct phase or project within the plan for which reimbursement will be provided. If the actual level of capital investment does not meet applicable minimum investment requirements, the MSF may, for a plan that consists of distinct phases or projects and where the failure to meet the minimum investment threshold is the result of failure to undertake planned additional distinct phases or projects, permanently rescind the authorization to use tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues for the additional distinct phases or projects in the plan.

If a brownfield redevelopment authority seeks approval of a combined brownfield plan instead of a work plan, the authority must provide notice to the MSF if the combined brownfield plan involves the use of taxes levied for school operating purposes to pay for eligible activities, or the use of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues at least 30 days before the hearing on the combined brownfield plan and at least 60 days in the case of a TBP.

The brownfield authority and MSF may reimburse advances, with or without interest, made by a municipality, a land bank fast track authority, or any other person or entity for costs of eligible activities included within a TBP using tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues attributable to that plan.

Notice of amendments to a TBP are not required for revisions in the estimates of tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues. Unless modifications to the plan add one or more parcels of eligible property or increase the maximum amount of tax increment revenues or, in the case of a TBP, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues, and if the MSF or Department of Environment, Great Lakes, and Energy (EGLE) issues a written response to a requesting authority, the governing body or its designee may approve administratively any modifications to a combined brownfield plan required by the written response without the need to follow the notice and approval process required under the Act.

The authority, EGLE, and the MSF must follow reporting requirements with respect to all approved TBPs and must provide information on the amount and use of construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues to the same extent required for tax increment revenues.

Calculating Sales and Use Tax Capture Revenues

Under the bill, to calculate sales and use tax capture revenues for a calendar year under a TBP, the State Treasurer must develop methods and processes that are necessary for each applicable person within the eligible property to report the amount of sales and use tax from that location. The MSF must include the following provisions in the development or reimbursement agreement for any TBP that utilizes sales and use tax capture revenues:

-- That the owner or developer of the eligible property requires each applicable person occupying the eligible property to comply with the reporting requirements through a contract requirement, lease requirement, or other similar means.
-- That reimbursement of sales or use tax revenues is limited to amounts reported, and the State has no obligation with respect to sales and use tax captures revenues that are not reported or paid.

The Brownfield Redevelopment Fund

The Act authorizes the creation of the Brownfield Redevelopment Fund for specific purposes. Among other things, the Fund is used to distribute construction period tax capture revenues, withholding tax capture revenues, and income tax capture revenues in accordance with a TBP. The bill also requires the Fund to distribute appropriate sales and use tax capture revenues as already provided by the Act and described below.

The Act requires the State Treasurer to deposit annually from the General Fund into the State Brownfield Redevelopment Fund an amount equal to the revenues due to be transmitted under all TBPs. The Department of Treasury must distribute these revenues to a brownfield redevelopment authority or to the owner or developer of the eligible property to which the revenues are attributable, in accordance with the requirements of the Act and the terms of the written development or reimbursement agreement for the TBP.

The State Treasurer must transfer to the Fund each fiscal year an amount equal to the construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues under all approved plans.

Transformational Brownfield Revenue Timeline

The beginning date for the capture of tax increment revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues for an eligible property cannot be later than five years following the date the MSF approves the inclusion of the eligible property in a TBP. Subject to the approval of the governing body and the MSF, the authority may amend the beginning date of capture of tax increment revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues to a date not later than five years following the date the MSF approves inclusion of the eligible property in the TBP if capture of the revenues under the plan has not yet commenced.

A TBP cannot authorize the capture or use of tax increment revenues, construction period tax capture revenues, withholding tax capture revenues, income tax capture revenues, or sales and use tax capture revenues after the year in which the total amount of the revenue captured under the plan equals the sum of the costs permitted to be funded with the revenue under the TBP. The duration of the capture of these revenues under a TBP for a particular eligible property cannot exceed the period after which the total amount of the captured revenue captured under the plan equals the sum of the costs permitted to be funded with the revenue under the plan or 20 years from the beginning date of the capture of withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues for that eligible property, whichever is less.

The bill added a provision allowing, subject to the approval of the governing body and MSF, a brownfield redevelopment authority to amend the beginning date of capture of tax increment revenues, withholding tax capture revenues, income tax capture revenues, and sales and use tax capture revenues for an eligible property included within a related program of investment to a date later than five years following the date the MSF approved inclusion of the eligible property in the TBP if the governing body and MSF determine that the developer of the related program of investment has proceeded in good faith and made reasonable and substantial progress in the implementation of the related program of investment.

Annual & Total Capture Caps

Previously, the Act capped the amount of money the MSF could commit, and the Department of Treasury could disperse, at $40.0 million in total annual capture. The bill increased this cap to $80.0 million. (The Act defines "total annual capture" as the total annual amount of income in tax capture revenues, withholding tax capture revenues, and sales and use tax capture revenues that may be reimbursed each calendar year under all TBPs.)

Additionally, the bill specifies that if the amount of total annual tax capture committed or dispersed in a calendar year is less than the amount committed and scheduled to be dispersed for that year under approved TBPs, the undisbursed amount for that year must be available to be dispersed in subsequent calendar years, in addition to annual limits otherwise applicable; however, not more than $30.0 million may be committed or dispersed in any calendar year above the $80.0 million annual limit.

Previously, the Act capped the total amount of income tax capture revenues and withholding tax capture revenues that the MSF could commit, and the Department of Treasury could disperse at $800.0 million. The bill increased this cap to $1.6 billion. Additionally, the MSF requires the owner or developer of an eligible property to report the actual value of the sales and use tax exemptions each tax year of the construction period and at the end of the construction period.

Equitable Distribution of Projects

Among other things, the MSF must ensure an equitable geographic distribution of TBPs, balancing the needs of municipalities of differing sizes and differing geographic areas of the State. Accordingly, under the bill, the MSF must ensure that between 33% and 38% of all TBPs approved before December 31, 2027, are in cities, villages, and townships with a population of less than 100,000. Additionally, 33% to 38% must be in cities, villages, and townships with a population between 100,000 and 225,000.

MCL 125.2652 et al.

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

Expanding tax capture revenue to include sales and use tax captures allows greater flexibility for TBPs. To qualify as a TBP, a project must serve multiple purposes. According to testimony before the Senate Committee on Economic and Community Development, before the COVID-19 pandemic, many TBPs included office space; however, the pandemic changed the way people prefer to work. A survey conducted by the Pew Research Center in 2022 specifies that 60% of workers with jobs that could be done from home said that, when the COVID-19 pandemic was over, they'd like to work from home all or most of the time if given the choice. Thus, with fewer people returning to the office to work, the priorities of TBPs have shifted. Instead of office space, which would generate revenue through income tax captures, developers are promoting entertainment and retail space to attract in-State and out-of-State talent. For these spaces, revenue is best be generated through sales and use tax captures, which statute previously did not include. The law had to be expanded to include this additional revenue capture and support greater flexibility for TBPs.

Response: By allowing TBPs to capture sales and use tax captures, the bill will increase costs to the State budget and schools. Some argue that TBP projects are beneficial because they create and tax economic activity in an area where it did not previously exist; however, sales and use tax captures represent an actual loss of revenue. Purchases made and taxed in a TBP will take money away from other areas and reduce revenue to the School Aid Fund and the State, decreasing its financial resources.

Supporting Argument

Raising the limit on total annual tax capture from $40.0 million to $80.0 million will make the TBP program workable. Total annual tax capture is the total annual amount of income tax capture revenues, withholding tax capture revenues, and sales and use tax capture revenues that may be reimbursed for all TBPs. According to testimony before the Senate Committee on Economic and Community Development, the previous $40.0 million cap was exhausted, preventing the approval of new TBPs. Additionally, the growing costs of construction have made TBPs more expensive. For the program to continue supporting TBPs across the State, and to include sales and use tax captures revenues in addition to income tax capture revenues and withholding tax capture revenues, the $40.0 million cap should be raised.

Supporting Argument

The bill diffuses the benefits of the TBP program by requiring a portion of all TBPs approved before December 31, 2027, to be in areas with small populations. Between 33% and 38% of the approved TBPs must be in cities, villages, and townships with populations between 100,000 and 225,000 people. This would include Grand Rapids, Ann Arbor, Dearborn, and more. An additional 33% to 38% of approved projects must be in cities, villages, and townships with populations of less than 100,000. In effect, funds will be funneled away from Detroit so smaller areas, rural areas, and economically challenged areas can reap the benefits of the program. The bill ensures a fairer distribution of TBP funding across the State.

Legislative Analyst: Abby Schneider

FISCAL IMPACT

The initial fiscal analysis of the legislation was revised on May 19, 2023, based in part on guidance from the Department of Treasury. That guidance was subsequently altered in June 2023 and the analysis below reflects the estimated impact based on the most recent information. Furthermore, Senate Bill (SB) 129, which amended many of the same sections and duplicated nearly all the changes of SB 289, was signed shortly after SB 289. One perspective could argue the changes in SB 289 exhibited no practical effect because the language was replaced by the provisions in SB 129, while an alternative perspective could argue the duplicate changes in SB 129 had no practical effect because they reflected the impact of SB 289. This analysis will take the latter perspective: the fiscal impact of 289 will be identified as if SB 129 had not been enacted. Any impact SB 129 would have on SB 289's provisions is discussed in the analysis for SB 129.

The bill will reduce State General Fund revenue in fiscal years (FY) 2022-23 through at least FY 2052-53 by an unknown and significant amount that could total $1.6 billion or more. The actual amount of revenue loss may be lower depending on the degree of activity associated with transformational brownfield areas. The estimated $1.6 billion figure excludes: 1) the revenue loss from any sales and use tax exemptions that, when combined with construction period tax captures, would exceed the $200.0 million limit under current law for the combined value of construction period tax captures and the value of sales and use tax exemptions granted during the construction period; and 2) the impact of any potential delays to the year in which tax captures must begin. To the extent that either of these conditions occur, the total revenue loss under the bill may exceed $1.6 billion.

Previously, the combined value of construction period tax captures and sales and use tax exemptions could not exceed $200.0 million. The bill retains the $200.0 million limit but the limit only applies to construction period tax captures. As a result, the bill provides an unlimited exemption for sales and use taxes during the construction period. While the exemption is unlimited, sales and use tax revenue will only decline relative to previous law if the value of the exemptions, plus the value of the construction period captures, exceeds $200.0 million.

The bill increases the current aggregate limit of $800.0 million applied to captured individual income tax (IIT) and withholding revenue across all years to $1.6 billion. Currently, the State has approved commitments for IIT and withholding capture totaling $668.4 million, meaning that an additional $131.6 million in capture is available under current law.

For individual years, the law limits the amount of IIT and withholding revenue that can be approved for capture, or disbursed by the State, to $40.0 million per year. The bill increases those limits to $80.0 million per year and expands the capture limit to apply to captured sales and use tax revenue. Under the provisions of current law and the bill, if the amounts captured or disbursed in a given year are less than the relevant limits, the difference is rolled over and added to the allowed captures or disbursements for future years. Previously, these rolled-over amounts for commitments and disbursements were not limited, but under the bill no more than $30.0 million per year may be added to an annual commitment or disbursement.

Captured revenue will reduce revenue for the fiscal years in which a capture occurs (and is accrued), rather than the fiscal year in which the captured revenue is disbursed. Given the rollover provisions, the revenue reduction in any given year may thus exceed the $80.0 million limit. For example, if after four years of allowable captures, if actual captures totaled $25.0 million, the allowable maximum capture for year 5 would have been $375.0 million without the limit, but will only be $110.0 million under the bill's rollover limit.

Previously, transformational brownfields could be approved until December 31, 2027, and the capture periods for IIT and withholding (and under the bill, also sales and use tax capture) may run as long as 20 years. Revenue captures must begin within five years of a property's approved inclusion in a project, although the bill allows the five-year period to be extended for any approved length of time. As a result, without any extensions as provided under the bill, captures could run until December 31, 2052 (in FY 2052-53): a project approved on December 31, 2027, must begin capturing revenue by December 31, 2032, and then may capture for a maximum of 20 years. (Because the existing approved projects are still in the construction period, no projects are currently capturing IIT or withholding revenue). If, under the bill, the beginning capture date are extended for any project such that captures would occur after 2052, the revenue loss from the bill will increase by as much as $80.0 million per year for any capture years after 2052 (although the bill's provisions limit the total revenue loss across all years to $1.6 billion).

The bill is unlikely to affect local unit revenue. Although the bill indicates that the local share of use tax revenue is subject to capture, unless total use capture under the bill exceeds the General Fund portion of the State share of the use tax, the mechanics of how revenue is directed to the Local Community Stabilization Authority will not be affected. Similarly, capturing sales tax revenue will not affect revenue directed to local units of government under constitutional revenue sharing provisions.

Several aspects of previous law and the bill make it impossible to forecast or budget for any potential revenue reduction. The actual amount of captured revenue under the law and the bill will depend on the particular behavior and timing of those affected by the capture, rather than any economic factors. Furthermore, the State is notified of the relevant capture amounts at the end of each calendar year and neither statute nor the bill require periodic reporting of captured amounts. As a result, the magnitude of any capture during a fiscal year will not be known at the time the State enacts the budget for a fiscal year nor will it be an amount that could be accurately forecast. Previously, when the authorized capture was limited to $800.0 million, the $800.0 million of capture could be spread out in an unknown distribution between now and FY 2051-52 due to the rollover provisions. Under the bill, the maximum capture is likely to exceed $110.0 million in a single fiscal year but must still be spread out over an unknown distribution.

The timing of how revenue will be captured across fiscal years is known but may be affected by several circumstances that may occur under the bill. First, the bill does not indicate how captures should be handled if the economic activity subject to capture generates revenue in excess of the capture limits. Presumably, such "excess" revenue will not be captured, but the bill does not specify how to address the situation. Second, the bill defines the sales and use tax capture as the amount by which "sales and use tax collected from persons within the eligible property exceeds the initial sales and use tax value". For traditional sales circumstances, such as an apparel retailer or a restaurant, the relevant sales tax amounts simply represent sales at those establishments; however, it is unclear how the capture would be affected if a firm such as a public utility or a merchandise wholesaler were to establish operations within the property. The definition makes it unclear if sales transactions by these entities will be included in computing the capture amounts because while the physical transactions will not occur within the property, the taxes would be collected from persons located within the property.

The structure of the tax capture, which will capture revenue over a baseline established in the year in which a project is adopted, represents an actual revenue loss rather than foregone revenue. Not only do projects already exist under the statute, and under the bill those projects will be able to capture more revenue than under current law, but much of the activity subject to the capture is likely to trade-off with activity that would otherwise occur in an area not subject to capture. For example, if a hotel guest stays at a hotel within a project area; or a customer eats at a restaurant within a project area; that activity would trade-off with a hotel stay or a dining event that would otherwise occur in an area where revenue would not be subject to capture.

The Department of Treasury will incur additional expenses of an unknown magnitude in tracking revenue subject to capture. Under current practice, taxpayers do not report sales and use tax revenue by location. The bill requires the Department of Treasury to develop systems that provide the tracking required to determine sales and use tax capture revenue.

Fiscal Analyst: David Zin

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