



SENATE BILL No. 889

October 13, 1993, Introduced by Senator VAN REGENMORTER
and referred to the Committee on School Finance Reform.

A bill to amend sections 13, 14, 25, and 30 of Act No. 450 of the Public Acts of 1980, entitled as amended "The tax increment finance authority act," section 13 as amended by Act No. 120 of the Public Acts of 1989 and section 14 as amended and section 30 as added by Act No. 420 of the Public Acts of 1988, being sections 125.1813, 125.1814, 125.1825, and 125.1830 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 13, 14, 25, and 30 of Act No. 450 of
2 the Public Acts of 1980, section 13 as amended by Act No. 120 of
3 the Public Acts of 1989 and section 14 as amended and section 30
4 as added by Act No. 420 of the Public Acts of 1988, being sec-
5 tions 125.1813, 125.1814, 125.1825, and 125.1830 of the Michigan
6 Compiled Laws, are amended to read as follows:

1 Sec. 13. (1) As used in this section and sections 14 and
2 18:

3 (a) "Captured assessed value" means the amount in any 1 year
4 by which the current assessed value of the development area,
5 including the assessed value of property for which specific local
6 taxes are paid in lieu of property taxes as determined in
7 subdivision (c), exceeds the initial assessed value. The ~~state~~
8 ~~tax commission~~ DEPARTMENT OF TREASURY shall prescribe the method
9 for calculating captured assessed value.

10 (b) "Initial assessed value" means the assessed value, as
11 equalized, of all the taxable property within the boundaries of
12 the development area at the time the resolution establishing the
13 tax increment financing plan is approved as shown by the most
14 recent assessment roll of the municipality for which equalization
15 has been completed at the time the resolution is adopted.
16 Property exempt from taxation at the time of the determination of
17 the initial assessed value shall be included as zero. For the
18 purpose of determining initial assessed value, property for which
19 a specific local tax is paid in lieu of a property tax shall not
20 be considered property that is exempt from taxation. The initial
21 assessed value of property for which a specific tax was paid in
22 lieu of a property tax shall be determined as provided in
23 subdivision (c).

24 (c) "Specific local tax" means a tax levied under Act
25 No. 198 of the Public Acts of 1974, being sections 207.551 to
26 207.571 of the Michigan Compiled Laws, the commercial
27 redevelopment act, Act No. 255 of the Public Acts of 1978, being

1 sections 207.651 to 207.668 of the Michigan Compiled Laws, the
2 technology park development act, Act No. 385 of the Public Acts
3 of 1984, being sections 207.701 to 207.718 of the Michigan
4 Compiled Laws, and Act No. 189 of the Public Acts of 1953, being
5 sections 211.181 to 211.182 of the Michigan Compiled Laws. The
6 initial assessed value or current assessed value of property
7 subject to a specific local tax shall be the quotient of the spe-
8 cific local tax paid divided by the ad valorem millage rate.

9 (2) When the authority determines that it is necessary for
10 the achievement of the purposes of this act, the authority shall
11 prepare and submit a tax increment financing plan to the govern-
12 ing body. The plan shall be in compliance with section 14 and
13 shall include a development plan as provided in section 16. The
14 plan shall also contain the following:

15 (a) A statement of the reasons that the plan will result in
16 the development of captured assessed value that could not other-
17 wise be expected. The reasons may include, but are not limited
18 to, activities of the municipality, authority, or others under-
19 taken before formulation or adoption of the plan in reasonable
20 anticipation that the objectives of the plan would be achieved by
21 some means.

22 (b) An estimate of the captured assessed value for each year
23 of the plan. The plan may provide for the use of part or all of
24 the captured assessed value, but the portion intended to be used
25 shall be clearly stated in the plan. The authority or municipal-
26 ity may exclude from captured assessed value growth in property
27 value resulting solely from inflation. The plan shall set forth

1 the method for excluding growth in property value resulting
2 solely from inflation. ~~The percentage of taxes levied for~~
3 ~~school operating purposes that is captured and used by the plan~~
4 ~~shall not be greater than the plan's percentage capture and use~~
5 ~~of taxes levied by a municipality or county for operating~~
6 ~~purposes. For purposes of the previous sentence, taxes levied by~~
7 ~~a county for operating purposes include only millage allocated~~
8 ~~for county or charter county purposes under the property tax lim-~~
9 ~~itation act, Act No. 62 of the Public Acts of 1933, being sec-~~
10 ~~tions 211.201 to 211.217a of the Michigan Compiled Laws. This~~
11 ~~limitation does not apply to the portion of the captured assessed~~
12 ~~value shared pursuant to an agreement entered into before 1989~~
13 ~~with a county or with a city in which an enterprise zone is~~
14 ~~approved under section 13 of the enterprise zone act, Act No. 224~~
15 ~~of the Public Acts of 1985, being section 125.2113 of the~~
16 ~~Michigan Compiled Laws. If a portion of the captured assessed~~
17 ~~value was shared with a municipality in 1988, for tax years 1989~~
18 ~~through 1991, a plan may share with the municipality the greater~~
19 ~~of the amount allowed by the limitation of this subsection or the~~
20 ~~following applicable amount:~~

21 ~~(i) For the 1989 tax year, 100% of the dollar amount shared~~
22 ~~with the municipality in 1988.~~

23 ~~(ii) For the 1990 tax year, 2/3 of the dollar amount shared~~
24 ~~with the municipality in 1988.~~

25 ~~(iii) For the 1991 tax year, 1/3 of the dollar amount shared~~
26 ~~with the municipality in 1988.~~

1 (c) The estimated tax increment revenues for each year of
2 the plan.

3 (d) A detailed explanation of the tax increment procedure.

4 (e) The maximum amount of bonded indebtedness to be
5 incurred.

6 (f) The amount of operating and planning expenditures of the
7 authority and municipality, the amount of advances extended by or
8 indebtedness incurred by the municipality, and the amount of
9 advances by others to be repaid from tax increment revenues.

10 (g) The costs of the plan anticipated to be paid from tax
11 increment revenues as received.

12 (h) The duration of the development plan and the tax incre-
13 ment plan.

14 (i) An estimate of the impact of tax increment financing on
15 the revenues of all taxing jurisdictions in which the development
16 area is located.

17 (3) Approval of the tax increment financing plan shall be in
18 accordance with the notice, hearing, disclosure, and approval
19 provisions of sections 17 and 18. When the development plan is
20 part of the tax increment financing plan, only 1 hearing and
21 approval procedure is required for the 2 plans together.

22 (4) Before the public hearing on the tax increment financing
23 plan, the governing body shall provide a reasonable opportunity
24 to the taxing jurisdictions WITH MILLAGE SUBJECT TO CAPTURE in
25 which the development is located to express their views and rec-
26 ommendations regarding the tax increment financing plan. The
27 authority shall fully inform the taxing jurisdictions about the

1 fiscal and economic implications of the proposed tax increment
2 financing plan. The taxing jurisdictions may present their rec-
3 ommendations at the public hearing on the tax increment financing
4 plan. The authority may enter into agreements with the taxing
5 jurisdictions and the governing body of the municipality in which
6 the development area is located to share a portion of the cap-
7 tured assessed value of the district.

8 Sec. 14. (1) The amount of tax increment to be transmitted
9 to the authority by the municipal and county treasurers shall be
10 that portion of the tax levy of all taxing bodies OTHER THAN
11 LOCAL SCHOOL DISTRICTS, INTERMEDIATE SCHOOL DISTRICTS, AND THE
12 EDUCATION FINANCE AUTHORITY paid each year on real and personal
13 property in the development area on the captured assessed value.
14 For the purposes of this section, that portion of a specific
15 local tax that is attributable to the captured assessed value of
16 the facility shall be included as a part of the tax increment to
17 be transmitted to the authority.

18 (2) The authority shall expend the tax increments received
19 for the development program only in accordance with the tax
20 increment financing plan. Surplus funds may be retained by the
21 authority for the payment of the principal of and interest on
22 outstanding tax increment bonds or for other purposes that, by
23 resolution of the board, are determined to further the develop-
24 ment program. Any surplus funds not so used shall revert propor-
25 tionately to the respective taxing bodies. These revenues shall
26 not be used to circumvent existing property tax laws or a local
27 charter that provides a maximum authorized rate for levy of

1 property taxes. The governing body may abolish the tax increment
2 financing plan when it finds that the purposes for which the plan
3 was established are accomplished. However, the tax increment
4 finance plan shall not be abolished until the principal of and
5 interest on bonds issued pursuant to section 15 have been paid or
6 funds sufficient to make ~~such~~ THE payment have been
7 segregated.

8 (3) The authority shall submit annually to the governing
9 body and the ~~state tax commission~~ DEPARTMENT OF TREASURY a
10 financial report on the status of the tax increment financing
11 plan. The report shall include the following:

12 (a) The amount and source of tax increments received.

13 (b) The amount in any bond reserve account.

14 (c) The amount and purpose of expenditures of tax increment
15 revenues.

16 (d) The amount of principal and interest on any outstanding
17 bonded indebtedness.

18 (e) The initial assessed value of the development area.

19 (f) The captured assessed value retained by the authority.

20 (g) Any additional information the governing body or the

21 ~~state tax commission~~ DEPARTMENT OF TREASURY considers
22 necessary.

23 Sec. 25. (1) The director of the authority shall prepare
24 and submit for the approval of the board a budget for the opera-
25 tion of the authority for the ensuing fiscal year. The budget
26 shall be prepared in the manner and contain the information
27 required of municipal departments. Before the budget may be

1 adopted by the board, it shall be approved by the governing
2 body. Funds of the municipality shall not be included in the
3 budget of the authority except those funds authorized in this
4 act, BY THE PROPERTY TAX LIMITATION ACT, ACT NO. 62 OF THE PUBLIC
5 ACTS OF 1933, BEING SECTIONS 211.201 TO 211.217A OF THE MICHIGAN
6 COMPILED LAWS, or by the governing body.

7 (2) The governing body may assess a reasonable pro rata
8 share of the funds for the cost of handling and auditing the
9 funds against the funds of the authority, other than those com-
10 mitted for designated purposes, which cost shall be paid annually
11 by the board pursuant to an appropriate item in its budget.

12 Sec. 30. (1) The ~~state tax commission~~ DEPARTMENT OF
13 TREASURY may institute proceedings to compel enforcement of this
14 act.

15 (2) The ~~state tax commission~~ DEPARTMENT OF TREASURY may
16 promulgate rules necessary for the administration of this act
17 pursuant to the administrative procedures act of 1969, Act
18 No. 306 of the Public Acts of 1969, being sections 24.201 to
19 24.328 of the Michigan Compiled Laws.