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Senate Bills 1005 and 1006 (as introduced 12-3-09)

Sponsor: Senator Mike Nofs

Committee: Commerce and Tourism

Date Completed: 12-8-09

## **CONTENT**

Senate Bills 1005 and 1006 would amend the downtown development authority (DDA) Act and the Tax Increment Finance Authority (TIFA) Act, respectively, to revise the 2009 deadline for a DDA or TIFA to apply to the Department of Treasury to have a local treasurer retain and pay to the DDA or TIFA taxes levied under the State Education Tax (SET) Act. The bills also would revise the 2009 deadline for the Department to respond to an application.

Under the DDA and TIFA Acts, 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, a DDA or TIFA, with the approval of the Department of Treasury, may request the local tax collecting treasurer to retain and pay to the DDA or TIFA taxes levied under the SET Act to be used for certain purposes.

A DDA or TIFA eligible to have the SET retained and paid to it had to apply with the Department for approval by June 15, 2008, and must apply by June 1 of each subsequent year. Under the bills, a DDA or TIFA would have to have applied by June 15, 2008, and August 31, 2009; and would have to apply by June 1 of each subsequent year.

In addition, based on calculations specified in the DDA and TIFA Acts, the Department must approve, modify, or deny an application by August 15 of each year. Under the bills, the Department would have to have taken one of those actions by August 15, 2008; and would have to act by December 31, 2009, and August 15 of each subsequent year.

MCL 125.1663c (S.B. 1005) 125.1812b (S.B. 1006)

## **BACKGROUND**

Public Acts 37, 38, 39, and 40 of 2007 amended various statutes to exempt commercial and industrial personal property from the State Education Tax and school operating mills.

Public Act 37 amended Section 1211 of the Revised School Code (MCL 380.1211) to exempt commercial personal property from 12 mills of the 18-mill school property tax.

Public Act 38 amended Section 3 of the State Education Tax Act (MCL 211.903) to exempt industrial personal property from the 6-mill State Education Tax.

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Public Act 39 amended Section 564 of the plant rehabilitation and industrial development Act (commonly called PA 198) (MCL 207.564) to exempt personal property taxed under the industrial facilities tax from the 6-mill SET and the 18-mill local school property tax.

Public Act 40 added Section 9k to the General Property Tax Act (MCL 211.9k) to exempt commercial and industrial personal property from the local school property tax and the SET, consistent with the exemptions contained in Public Acts 37, 38, and 39.

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bills would potentially reduce the School Aid Fund by an unknown, and likely minimal, amount during FY 2008-09. The bills would potentially increase local revenue to affected authorities by the same amount. The bills would extend the deadline for DDAs and TIFAs to seek approval to capture State Education Tax revenue. The captured tax revenue would be received by the authorities affected by the bill, rather than the School Aid Fund. The magnitude of any changes would depend upon the specific characteristics of the affected DDAs and TIFAs.

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.