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House Bill 5584 (Substitute H-1 as passed by the House)

Sponsor: Representative Kate Segal

House Committee: Intergovernmental and Regional Affairs

Senate Committee: Commerce and Tourism

Date Completed: 12-16-09

CONTENT

House Bill 5584 (H-1) would amend the downtown development authority (DDA) Act to revise the 2009 deadline for a DDA to apply to the Department of Treasury to have a local treasurer retain and pay to the DDA taxes levied under the State Education Tax (SET) Act. The bill also would revise the 2009 deadline for the Department to respond to an application.

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

A DDA 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 bill, a DDA would have to have applied by June 15, 2008, and September 30, 2009; and would have to apply by June 1 of each subsequent year.

In addition, based on calculations specified in the DDA Act, the Department must approve, modify, or deny an application by August 15 of each year. Under the bill, the Department would have to have taken one of those actions by August 15, 2008; for 2009 only, the Department would have to act within 30 days after the bill's effective date. For each subsequent year, the August 15 deadline would apply.

MCL 125.1663c

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 bill would potentially reduce the School Aid Fund by an unknown, and likely minimal, amount during FY 2008-09. The bill would potentially increase local revenue to affected authorities by the same amount. The bill would extend the deadline for DDAs 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.

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.