

Legislative Analysis



DEADLINE FOR STATE EDUCATION TAX REVENUES

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 533 (Substitute H-1)

Sponsor: Sen. Roger Kahn, M.D.

(Enacted as Public Act 20 of 2014)

House Committee: Tax Policy

Senate Committee: Economic Development

Complete to 1-22-14

A SUMMARY OF SENATE BILL 533 AS REPORTED FROM HOUSE COMMITTEE

The bill would amend the Brownfield Redevelopment Financing Act to change, for 2013 only, the deadline in the process whereby brownfield redevelopment authorities apply to the Department of Treasury for approval to receive State Education Tax revenues to be used to meet certain debt obligations.

[According to committee testimony, the bill assists the countywide brownfield redevelopment authority in Gratiot County, which missed the statutory deadline while waiting for information it needed from affiliated local units of government.]

When the (now-phasing out) Michigan Business Tax was put in place, related legislation granted abatements from school operating taxes for commercial and industrial personal property. This had the effect of reducing school tax revenue that was previously being captured by various tax increment finance authorities. Subsequently, legislation was enacted to allow for State Education Tax (SET) revenue to be retained by eligible tax increment finance authorities, in order to make up for shortfalls in revenue needed for the repayment of certain debt obligations.

A process was put in place that required brownfield redevelopment authorities (and other similar tax increment finance authorities) to seek the approval of the Department of Treasury to have State Education Tax revenues retained by the local tax collecting unit and paid to an authority. An authority had to apply for Treasury approval by June 15 of 2008 (the first year) and then must apply by June 1 of each subsequent year. The Department of Treasury is required to approve, modify, or deny an authority's application not later than August 15 each year.

Senate Bill 533 would amend the Brownfield Redevelopment Financing Act to allow, for 2013 only, a brownfield authority to apply for Treasury approval by no later than 30 days after the bill's effective date in order to receive State Education Tax revenues. The bill also would make the regular annual deadline June 15 instead of June 1.

BACKGROUND INFORMATION:

Similar legislation was enacted for downtown development authorities in 2012 for 2011 only, and in 2009 for 2009 only. Those acts applied to authorities that had missed the original deadline for applying to the Treasury for SET revenue.

FISCAL IMPACT:

By extending the deadline, the bill allows a local unit of government to receive State Education Tax revenues it otherwise would have lost. As written, the bill would reduce SET revenue, which is dedicated to the SAF, by an unknown amount. This would increase General Fund expenditures to the SAF to make up for the lost State Education Tax revenue that would now be captured by brownfield redevelopment authorities. The amount of this expenditure would depend on the specific characteristics of the property and details of the agreements with the authority.

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell
Adam Desrosiers

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