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Senate Bill 1097 (as introduced 9-30-14)  
Sponsor: Senator Mark C. Jansen  
Committee: Economic Development

Date Completed: 10-21-14

### **CONTENT**

**The bill would amend the Local Development Financing Act to increase from three to six the number of distinct geographic areas in which the State Treasurer may approve the capture of the State Education Tax and school taxes for a municipality that created an authority in which a certified technology park has been designated and entered into an agreement with another authority designating a distinct geographic area as a certified technology park.**

Under the Act, a local government may create a local development financing authority to finance public improvements in a given area, by capturing increases in property tax revenue due to increased value of property in a district or development area (tax increment revenue). The Act also allowed the Michigan Economic Development Corporation (MEDC) to enter into agreements designating certified technology parks (also known as SmartZones) in municipalities that had created an authority, if they applied to the MEDC and satisfied certain criteria. (The last Smart Zones had to be designated before March 31, 2013.)

Tax increment revenue includes ad valorem property taxes and specific local taxes levied by all local taxing jurisdictions (except school districts) upon the captured assessed value of real and personal property in a district, development area, or certified technology park. For limited purposes, tax increment revenue also includes taxes levied by the State under the State Education Tax Act and levied by local or intermediate school districts upon the captured assessed value of that property. These purposes include funding or repaying an advance or obligation issued by or on behalf of an authority to fund the cost of public facilities related to or for the benefit of eligible property located in a certified technology park.

If a municipality has created an authority in which a certified technology park has been designated, the municipality may enter into an agreement with another authority that does not contain a certified technology park, under certain circumstances, to designate a distinct geographic area within the authority district as a certified technology park. The State Treasurer may approve the capture of amounts levied by the State under the State Education Tax Act and by local and intermediate school districts, as permitted to fund public facilities, for not more than three distinct geographic areas. Under the bill, the State Treasurer could approve that capture for up to six distinct geographic areas.

MCL 125.2162b

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would reduce State and local property tax revenue, assuming that the additional geographic areas (satellite sites of certified technology parks or "smart zones") and the

capture of State Education Tax, local school district operating millage, and intermediate school district operating millage were approved by the State Treasurer pursuant to the bill. This would reduce revenue from the property-based State Education Tax, which goes to the School Aid Fund. School Aid Fund costs would increase to make up the reduction in local school operating revenue. Other local units of government would not be reimbursed for the captured property tax revenue. The amount of the State and local revenue loss and increased School Aid Fund cost would depend on the number of areas (but not more than three) designated, the characteristics of the development, and the taxable value growth in those areas. The bill would increase revenue to a smart zone that gained an approved satellite site under the bill. The smart zone would be able to capture revenue in the smart zone and the designated satellite site for an additional 15 years, as determined by the State Treasurer and the president of the Michigan Economic Development Corporation.

Fiscal Analyst: Elizabeth Pratt

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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.