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BILL ANALYSIS

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House Bill 4327 (as passed by the House)
Sponsor: Representative Jeff Farrington
House Committee: Commerce
Senate Committee: Economic Development

Date Completed: 12-2-13

CONTENT

The bill would amend the Corridor Improvement Authority Act to allow initial assessed value to be modified after a tax increment financing plan failed to generate captured assessed value for three consecutive years due to declines in assessed value.

The Act allows a municipality (a city, village, or township) to establish corridor improvement authorities, which may levy special assessments, issue revenue bonds and notes, and implement tax increment financing plans for the redevelopment of corridors meeting specific criteria (development areas). A tax increment financing plan may provide for the use of "captured assessed value", which refers to the amount in any one year by which the current assessed value of the development area exceeds the initial assessed value. (That is, an authority may "capture" the incremental increase in revenue for redevelopment purposes.)

The Act defines "initial assessed value" as the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the resolution establishing the tax increment financing plan is approved. The bill provides that the initial assessed value could be modified once during the term of the tax increment financing plan through an amendment after the plan failed to generate captured assessed value for three consecutive years due to declines in assessed value.

(The Act allows a tax increment financing plan to be modified if the modification is approved by the municipality's governing body upon notice and after public hearings and agreements as required for approval of the original plan.)

MCL 125.2872 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase the revenue of affected authorities by an unknown amount and decrease revenue received by the local units in which the authorities are located. The actual amount of any shift in revenue from affected local units to authorities would depend on the specific characteristics of affected property.

Generally, the bill would not alter overall local unit revenue but would change the distribution of revenue between authorities and their associated local units. By allowing an authority to alter initial assessed value (base year revenue), the bill would enable the authority to capture revenue that it could not capture under current law. An authority can capture revenue only if the taxable value rises above the level in the base year. Under current law, if the taxable value in an authority's development area declines for three years (relative to the base year), the authority will not capture revenue. Furthermore, once taxable values begin increasing, the increase will not be captured by the authority until it passes the level in the base year. Under the bill, the base year taxable value would be redefined, presumably to the lowest value in the three-year window created by the bill, and any subsequent increases in taxable value would be captured by the authority. As a result, once property taxes had grown sufficiently to allow an authority to capture revenue, the bill would increase the amount of the capture.

Fiscal Analyst: David Zin