

PROTECT LIBRARY MILLAGES FROM CAPTURE BY TAX INCREMENT FINANCE AUTHORITIES

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Senate Bills 579 & 622 as passed by the Senate
Sponsor: Sen. Dave Robertson

Analysis available at

<http://www.legislature.mi.gov>

Senate Bills 619 & 620 as passed
Sponsor: Sen. Jack Brandenburg

Senate Bill 621 as passed
Sponsor: Sen. Peter MacGregor

Senate Bills 623 & 624 as passed
Sponsor: Sen. Rick Jones

House Committee: Tax Policy
Senate Committee: Finance
Complete to 11-29-16

SUMMARY:

The bills would prohibit a tax increment financing program from capturing the revenues from taxes levied from separate millages levied for library purposes approved by the voters after December 31, 2015.

[Generally speaking, when a local unit of government creates a tax increment financing authority, or TIFA, it establishes a special district and then the authority captures future increases in tax revenue within that district for the authority to use in financing public infrastructure improvement projects, or other activities, within the district; this can include the issuance of bonds to finance projects.]

A library board, however, could agree to allow all or a portion of its taxes to be included as tax increment revenues through a written agreement between a library board or commission and the tax increment finance authority (TIFA). The agreement would have to be filed with the municipal clerk. (Such an action would also require the concurrence of the chief executive officer of the city if the library was created under Section 1 or 10a of Public Act 164 of 1877, sections that authorize cities, by council action or a vote of city residents, to establish and maintain, or contract for the use of, free public libraries and reading rooms.)

Further, if a separate library millage was levied before January 1, 2016, and all obligations of the tax increment finance authority were paid or defeased, then the levy would be exempt from capture, unless the library board or commission allowed a portion of its taxes to be subject to capture under the terms of a written agreement with the TIFA and filed with the local clerk.

Also under the bills, if a separate library millage was levied before January 1, 2016, and the TIFA modifies its plan to include additional activities, to alter or amend its boundaries,

or to extend the duration of the existing finance plan, then the library could exempt all or a portion of its taxes from capture. A library board or commission would have to do this by adopting a resolution not later than 60 days after a public hearing on the proposal to amend or extend the plan.

Each of the bills would amend a different act that allows for the creation of tax increment finance authorities.

Senate Bill 579 would amend the Brownfield Redevelopment Financing Act (MCL 125.2652 & 2654).

Senate Bill 619 would amend the Tax Increment Finance Authority Act (MCL 125.1801 & 1803).

Senate Bill 620 would amend the act governing downtown development authorities (MCL 125.1651 & 1653).

Senate Bill 621 would amend the Corridor Improvement Authority Act (MCL 125. 2873 & 2888).

Senate Bill 622 would amend the Water Resource Improvement Tax Increment Finance Authority Act (MCL 125.1773 & 1785). The bill also would exclude millages levied under the Zoological Authorities Act and the Art Institution Authorities Act from capture. These millages are already excluded under other types of TIF authorities.

Senate Bill 623 would amend the Local Development Financing Authority Act (MCL 125.2152 & 2154).

Senate Bill 624 would amend the Historical Neighborhood Tax Increment Finance Authority Act (MCL 125.2843 & 2847). The bill also would exclude millages levied under the Zoological Authorities Act and the Art Institution Authorities Act from capture. These millages are already excluded under other types of TIF authorities.

FISCAL IMPACT:

Total revenues to local units of government would not change under the provisions of the bills. However, public libraries that levy a separate millage approved by the voters would realize increased revenues and affected tax increment financing (TIF) authorities would realize a corresponding decrease in revenues relative to current law provisions. The fiscal impact on each local unit of government would depend on taxable values, millage rates, and whether a local public library board or commission authorized all or a portion of its taxes to be captured.

Senate Bills 622 and 624 would also exclude millages levied under the Zoological Authorities Act and the Art Institution Authorities Act from capture by a Water Resources Improvement Tax Increment Authority and a Historical Neighborhood Tax Increment

Financing Authority. These millages are already excluded under all other types of TIF authorities. To the extent that the any revenue generated under Zoological Authorities Act and Art Institution Authorities Act are captured by the two tax increment authorities addressed in Senate Bills 622 and 624, the bills would redistribute those revenues from the TIF authority to the institutions levying the millages under the acts.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.