

Legislative Analysis



STATUTORY FIRST LIEN FOR UNLIMITED TAX PLEDGE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4495 as introduced
Sponsor: Rep. Anthony G. Forlini
Committee: Financial Liability Reform
Complete to 5-18-15

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 4495 would amend Section 701 of the Revised Municipal Finance Act to provide for a statutory first lien on all taxes subject to an unlimited tax pledge for a municipal security or authorized or issued before December 23, 1978, or approved by the electors of a municipality after that date. The statutory first lien would apply to an unlimited tax pledge made prior to or after the date of enactment of the bill.

Additionally, current law requires that the taxes be set aside as collected for the payment of the principal and interest on the municipal securities divided pro rata among the various sinking funds and debt retirement funds in accordance with the amount levied. Upon collection and prior to dividing the funds pro rata, House Bill 5650 would require the funds set aside to be held in trust for the owners of the municipal security.

FISCAL IMPACT:

Placing taxes set aside for municipal securities into trust and providing a statutory first lien on all taxes subject to an unlimited tax pledge would provide enhanced creditworthiness for local government municipal securities receiving an unlimited tax pledge. These changes would have the practical effect of making municipal securities with an unlimited tax pledge secured debt. The precise implications for how the provisions of the bill would affect bondholders of municipal securities with an unlimited tax pledge in municipal bankruptcy proceedings cannot be predicted.

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