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BILL ANALYSIS

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Senate Bills 1222 and 1223 (as introduced 11-28-18)
Sponsor: Senator Mike Nofs
Committee: Economic Development and International Investment

Date Completed: 11-29-18

CONTENT

Senate Bill 1222 and Senate Bill 1223 would amend the Brownfield Redevelopment Financing Act and Part 2 (Downtown Development Authorities), Part 3 (Tax Increment Finance Authorities), and Part 4 (Local Development Finance Authorities) of the Recodified Tax Increment Financing Act, respectively, to modify formulas used to calculate the amount a local tax collecting treasurer may have to retain and pay to an authority for reduced allowable school tax capture for fiscal years beginning January 1, 2019, and each year thereafter, and make eligible for reimbursement the exemption of industrial personal property from school operating taxes.

Specifically, each Act and Part listed above allows an authority, if the amount of tax increment revenue lost as a result of certain personal property tax exemptions provided by the Revised School Code, the State Education Tax Act, the plant rehabilitation and industrial development Act, and the General Property Tax Act will reduce the allowable school tax capture received in a fiscal year, and with the Department of Treasury's approval, to request the local tax collecting treasurer to retain and pay to the authority taxes levied within the municipality under the State Education Tax Act to be used for listed purposes. The bills also would make eligible for reimbursement the exemption of industrial personal property from school operating taxes under Section 1211(1) of the Revised School Code.

Currently, the aggregate amounts that may be paid to the authorities are determined by a formula, which includes the amount by which the tax increment revenue the authority would have received and retained for the fiscal year, excluding taxes exempt under the General Property Tax Act if the personal property tax exemptions described above were not in effect, exceed the tax increment revenue the authority actually received for the fiscal year. The bills specify that, for fiscal years beginning January 1, 2019, and each year thereafter, the amount would have to be calculated using the greater of the following:

-- The captured assessed value of industrial personal property, commercial personal property, and the personal property component of exemption certificates granted under the plant rehabilitation and industrial development Act, that were sited on property classified as either industrial or commercial, for the authority's fiscal year ending in the current year.
-- The 2013 captured assessed value of industrial personal property, commercial personal property, and the personal property component of exemption certificates granted under the Act that were sited on property classified as either industrial or commercial.

MCL 125.2665a (S.B. 1222)

Legislative Analyst: Drew Krogulecki

MCL 125.4213c et al. (S.B. 1223)

FISCAL IMPACT

Senate Bills 1222 & 1223

The bills would have a negative fiscal impact on the State and a positive fiscal impact on affected authorities. Specifically, they would reduce State School Aid Fund (SAF) revenue and increase State expenditures, while increasing revenue to the affected authorities by an equal amount. School Aid Fund revenue would decrease to the extent that State Education Tax (SET) revenue was approved to be retained and paid to an authority. It is unknown whether appropriations would be made from the General Fund to offset any reduction in SET revenue, however the Acts also require the Legislature to appropriate funds to reimburse authorities when SET capture is insufficient to reimburse authorities for their loss.

According to the Michigan Department of Treasury, the bills would affect primarily three different authorities: the Detroit Local Development Finance Authority (LDFA), the Battle Creek Downtown Development Authority (DDA), and the Battle Creek Tax Increment Finance Authority (TIFA). The reimbursements to the three authorities would be approximately $3.45 million per year until their eligible obligations were retired. The Detroit LDFA reimbursement would be approximately $1.3 million per year and should be retired in about five years. The remaining $2.15 million reimbursement would be for the Battle Creek DDA and TIFA, which will retire in 15-25 years.

The amount of any fiscal impact outside of those authorities should be small, likely less than $100,000 per year, but would depend upon the specific characteristics of the local units affected, the amount of revenue appropriated to authorities, and the amount of State Education Tax allowed to be retained by authorities.

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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.