



Senate Fiscal Agency  
P.O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986

Senate Bill 432 (Substitute S-2 as reported)  
Sponsor: Senator Wayne A. Schmidt  
Committee: Economic and Small Business Development

### **CONTENT**

The bill would amend the State Housing Development Authority Act to do the following:

- Exempt a housing project that was being developed for workforce housing that was located in a municipality and was subject to the municipality's approval of the tax exemption from all ad valorem property taxes imposed by the State or by any political subdivision, public body, or taxing district in which the project was located.
- Specify that the exemption from taxation for a housing project developed for workforce housing could not remain in effect for more than 15 years if the housing project remained subject to a covenant running with the land that restricted the use of the housing project to workforce housing.
- Require the owner of a housing project exempt from taxation as described above to meet requirements prescribed by the Act, including paying to the municipality in which the project was located an annual service charge in lieu of taxes.

MCL 125.1415a

Legislative Analyst: Tyler VanHuyse

### **FISCAL IMPACT**

The bill would have a negative fiscal impact on the State and an indeterminate fiscal impact on local governments. Exempting workforce housing projects from property taxes would reduce revenue to local governments as well as reduce revenue and increase costs to the School Aid Fund (SAF). The exemption would reduce revenue for the State Education Tax and, since school operating mills also would be reduced, costs to the SAF would increase if the foundation allowance were maintained. Exempted property would be required to pay to the city, village, or township in which it was located a service charge in lieu of taxes for public services. The specific fiscal impact on a local community largely would be determined by the amount of the service charge and the specific services funded by the charge, both of which would depend on choices made by the local unit of government. Since any exemption would need to be approved by the local government, any fiscal impact would depend on decisions made by those units of government, as well as the specific characteristics of the exempted facilities.

Date Completed: 6-14-21

Fiscal Analyst: Ryan Bergan