Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4658
Sponsor: Representative James McNutt
House Committee: Urban Policy
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 5-24-95

SUMMARY OF HOUSE BILL 4658 as passed by the House:

The bill would amend the Urban Cooperation Act to permit two or more local units of government to enter into an agreement for sharing property tax revenue; require an agreement to be approved by a majority of the members of each affected unit's legislative body; provide that an agreement could be terminated by a referendum of the residents of a local unit; and validate an interlocal agreement executed before the bill's effective date.

Under provisions of the Act that were added by Public Act 286 of 1987, two or more local units of government that levied a tax under the General Property Tax Act could enter into an interlocal agreement for the sharing of all or a portion of the revenue resulting from the levy of general ad valorem property taxes or specific taxes levied in lieu of property taxes upon certain commercial or industrial property. Local units could not enter into such an agreement, however, after December 31, 1992.

The bill would remove the December 31, 1992, deadline on interlocal tax-sharing agreements, and permit local units to enter into an agreement to share the revenue received from property taxes or specific taxes upon any property. The bill specifies that an agreement could be terminated or rescinded by a referendum of the residents of a local unit that was a party to the agreement within 30 days after the local unit's governing body approved of the agreement.

A decision to enter into an agreement would have to be made by a majority vote of the members elected and serving on the legislative body of each affected local governmental unit. The legislative body of each affected unit would have to hold at least one public hearing before entering into an interlocal agreement. Notice of the hearing would have to be given as provided by the Open Meetings Act.

If, within 45 days of the meeting at which an interlocal agreement was approved by a governmental unit, a petition were signed by at least 8% of the registered electors of that local unit voting in the preceding general election, a referendum would have to be held in that local unit at the next regularly scheduled election or at a special election held for this purpose. If a majority of the electors voting on the agreement approved it, the local unit could enter into the agreement. If a petition were not filed, the local unit could enter into the agreement.

The bill specifies that it would validate and would not affect an interlocal agreement for a publicly authorized undertaking that was executed before the bill's effective date and that included a method or formula for equitably providing for and allocating revenues as authorized in the Urban Cooperation Act.

MCL 124.502 & 124.505a Legislative Analyst: S. Margules

FISCAL IMPACT

The bill is designed to develop interlocal tax agreements to share property taxes and taxes levied in lieu of property taxes on any real or personal property between two local units. Two local units, possibly as a result of annexation from a township to a city, could voluntarily enter into an interlocal tax agreement that stated the formula or formulas for sharing the revenue.

Fiscal Analyst: R. Ross

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