

Legislative Analysis



TIFAs: AMEND DEFINITION OF "OTHER PROTECTED OBLIGATION"

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House Bill 5038

Sponsor: Rep. Shelley Taub

First Committee: Commerce

Second Committee: Local Government and Urban Policy (referred 9-30-03)

Complete to 4-23-04

A SUMMARY OF HOUSE BILL 5038 AS INTRODUCED 8-13-03

House Bill 5038 would amend the Tax Increment Financing Authority Act (MCL 125.1801) to expand the definition of "other protected obligation" to include an obligation issued or incurred by a municipality under a contract with a county road commission executed before October 1, 1993 to implement a project described in a tax increment finance plan approved by the municipality under the act before August 19, 1993.

Since the passage of Proposal A to fund public schools in 1994, development authorities have been generally prohibited from capturing taxes within tax increment finance districts when those taxes are used to fund school districts, except in cases specified in the law where obligations had been entered into before or during the implementation of Proposal A. These are known as "eligible obligations" and "other protected obligations". The law sets forth several narrow definitions of "other protected obligation", including one that defines the term as 'an obligation issued or incurred by an authority (or by a municipality on behalf of an authority) after August 19, 1993, but before December 31, 1994, to finance a project described in a tax increment finance plan approved by the municipality in accord with the act before December 31, 1993, for which a contract for final design is entered into by or on behalf of the municipality or authority before March 1, 1994.' House Bill 5038 would retain this definition, and expand it to include "an obligation issued or incurred by a municipality under a contract with a county road commission executed before October 1, 1993 to implement a project described in a tax increment finance plan approved by the municipality under this act before August 19, 1993." The bill further specifies that this subsection would apply to the capture of tax increment revenues for taxes levied in 1994 and subsequent years.

FISCAL IMPACT:

The bill is currently being examined for any potential state or local fiscal impact.

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