

Legislative Analysis



REVISE 2009 LDFA FILING DEADLINES FOR RETENTION OF STATE EDUCATION TAX REVENUE

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Senate Bill 1139 as passed by the Senate

(Enacted as Public Act 127 of 2010)

Sponsor: Sen. Mike Nofs

House Committee: Intergovernmental and Regional Affairs

Senate Committee: Commerce and Tourism

Complete to 5-17-10

A SUMMARY OF SENATE BILL 1139 AS PASSED BY THE SENATE 3-10-10

The bill would amend the Local Development Financing Act to change the deadlines, for 2009 only, in the process by which a local development finance authority (LDFA) applies to the Department of Treasury for approval to receive State Education Tax revenues to be used to meet certain debt obligations.

The Local Development Financing Act is one of the state statutes that allow for the creation of tax increment finance authorities. Two other bills extending the 2009 deadline for TIFAs have already been enacted. House Bill 5584 amended the Downtown Development Authority Act and became Public Act 213 of 2009. Senate Bill 1006 amended the Tax Increment Finance authority Act and became Public Act 214 of 2009. The bills extended SET application deadlines to address instances where tax increment finance authorities inadvertently missed the deadlines in 2009.

When the new Michigan Business Tax was put in place, related legislation granted abatements from state and local school operating taxes for commercial and industrial personal property. This had the effect of reducing school tax revenue that was previously being captured by various tax increment finance authorities. Subsequently, legislation was enacted to allow for State Education Tax revenue to be retained by tax increment authorities, in order to make up for shortfalls in revenue needed for the repayment of certain debt obligations.

A process was put in place that required the tax increment finance authorities to seek the approval of the Department of Treasury to have State Education Tax revenues retained by the local tax collecting unit and paid to an authority. An authority had to apply for Treasury approval by June 15 of 2008 (the first year) and then by June 1 of each subsequent year. The Department of Treasury was required to approve, modify, or deny an authority's application not later than August 15 each year.

Under Senate Bill 1139, the 2009 deadline for an authority to apply for approval would be September 30. For 2009 only, the deadline for the department to approve, modify, or deny the application would be 30 days after the bill's effective date.

MCL 125.2161b

FISCAL IMPACT:

To the extent that the bill allows an LDFA to receive SET revenue for the 2009-10 fiscal year, the bill would reduce School Aid revenue by an unknown but likely small amount.

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