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BILL



ANALYSIS

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Senate Bill 1139 (as introduced 2-23-10)
Sponsor: Senator Mike Nofs
Committee: Commerce and Tourism

Date Completed: 3-2-10

CONTENT

The bill would amend the Local Development Financing Act (LDFA) to revise the 2009 deadline for a local development finance authority to apply with the Department of Treasury for approval to have taxes levied under the State Education Tax (SET) Act retained and paid to the authority. The bill also would revise the 2009 deadline for the Department to approve, modify, or deny an application.

Under the LDFA, a local government may create a local development financing authority to finance public improvements in a given area, by capturing increases in property tax revenue due to increased value. If the amount of tax increment revenue lost as a result of the personal property tax exemptions enacted by Public Acts 37 through 40 of 2007 will reduce the allowable school tax capture received in a fiscal year by a local development finance authority, the authority, with the approval of the Department of Treasury, may request the local tax collecting treasurer to retain and pay to the authority taxes levied under the SET Act to be used for certain purposes. (Public Acts 37, 38, 39, and 40 amended the Revised School Code, the SET Act, the plant rehabilitation and industrial development Act, and the General Property Tax Act, respectively, to exempt commercial and industrial personal property from the SET and school operating mills.)

If an authority is eligible to have SET revenue retained and paid to the authority, it had to apply for approval with the Department of Treasury by June 15, 2008, and must apply by June 1 of each subsequent year. The Department must approve, modify, or deny the application by August 15 of each year.

Under the bill, the 2009 deadline for an authority to apply for approval with the Department 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

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The change in the 2009 deadlines would likely result in a small increase in the number of applications from local development finance authorities to the Michigan Department of Treasury. Given this change in the number of applications, the bill could result in a reduction in State revenue by an unknown amount related to the School Aid Fund and an increase in School Aid Fund expenditures by an unknown amount.

The reason for the increase in School Aid Fund expenditures is that the State is required to maintain per-pupil funding guarantees for any captured school operating taxes and/or captured State Education Tax.

Fiscal Analyst: Eric Scorsone

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