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BILL ANALYSIS

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House Bill 4327 (as reported without amendment)
Sponsor: Representative Jeff Farrington
House Committee: Commerce
Senate Committee: Economic Development

CONTENT

The bill would amend the Corridor Improvement Authority Act to allow initial assessed value to be modified under certain circumstances.

The Act allows cities, villages, and townships to establish corridor improvement authorities, which may levy special assessments, issue revenue bonds and notes, and implement tax increment financing (TIF) plans for development areas. A TIF plan may provide for the use of "captured assessed value", which refers to the amount in any one year by which the current assessed value of the development area exceeds the initial assessed value.

"Initial assessed value" means the assessed value, as equalized, of all the taxable property within the boundaries of the development area at the time the resolution establishing the TIF plan is approved. The bill provides that the initial assessed value could be modified once during the term of the plan through an amendment after the plan failed to generate captured assessed value for three consecutive years due to declines in assessed value.

MCL 125.2872 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would increase the revenue of affected authorities by an unknown amount and decrease revenue received by the local units in which the authorities are located, but would not alter overall local unit revenue. The actual amount of any shift in revenue from affected local units to authorities would depend on the specific characteristics of affected property.

By allowing an authority to modify initial assessed value (base year revenue), the bill would enable the authority to capture revenue that it cannot capture under current law. An authority can capture revenue only if the taxable value rises above the level in the base year. Under current law, if the taxable value in an authority's development area declines for three years (relative to the base year), the authority will not capture revenue. Furthermore, once taxable values begin increasing, the increase will not be captured by the authority until it passes the level in the base year. Under the bill, the base year taxable value would be redefined, presumably to the lowest value in the three-year window created by the bill, and any subsequent increases in taxable value would be captured by the authority. As a result, once property taxes had grown sufficiently to allow an authority to capture revenue, the bill would increase the amount of the capture.

Date Completed: 12-4-13 Fiscal Analyst: David Zin