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BILL ANALYSIS

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Senate Bill 630 (as reported without amendment)
Sponsor: Senator Rick Jones
Committee: Economic Development

CONTENT

The bill would amend the Tax Increment Finance Authority (TIFA) Act to include in the definition of "qualified refunding obligation" bonds issued to refund other refunding bonds; require those bonds to be issued before December 31, 2019; require refunding bonds to mature by 2043, rather than 2039; and exempt refunding bonds from a section of the Revised Municipal Finance Act that governs a municipality's issuance of a refunding security.

The TIFA Act allows cities to create a tax increment finance authority that may use tax increment financing for development purposes. An authority may capture property taxes and specific local taxes attributable to the incremental increase in the value of property in an authority district. Revenue from the State Education Tax and school district property taxes may be captured only to repay obligations incurred before August 19, 1993, including eligible obligations, eligible advances, and other protected obligations. Eligible obligations and other protected obligations include qualified refunding obligations. The definition of "qualified refunding obligation" includes a tax increment refunding bond issued to refund a refunding bond that is an other protected obligation issued as a capital appreciation bond delivered to the Municipal Bond Authority on December 21, 1994. The bill also would include bonds issued to refund that bond.

A refunding bond must have been authorized by the TIFA before January 1, 2011, with a final maturity date not later than 2039. The bill would require a refunding bond to be authorized before December 31, 2019, with a final maturity date not later than 2043.

MCL 125.1801 Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would change the timing, and potentially the amount, of State School Aid Fund revenue by an unknown magnitude. The bill would affect refunding obligations for which State Education Tax revenue may be captured, and thus would also affect local unit revenue to tax increment finance authorities. Compared to current law, the bill would allow additional refunding bonds to capture revenue. Because refunding bonds are generally issued to pay back an earlier debt issue with a new one that pays a lower interest rate and/or is payable over a different period of time, the amount of the capture under the refunding obligation could be greater or less than the capture under current law. The specific changes would depend on the terms of any affected refunding obligations. For example, a refunding obligation could conceivably pay a lower interest rate, which would reduce the capture; but could accelerate the repayment period, which would increase the capture in the near term but reduce it in later years.

Date Completed: 10-25-13 Fiscal Analyst: David Zin

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.