
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5121 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Tom Alley
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Local Development Financing Act to include under “eligible obligation” an authority’s written agreement entered into before August 19, 1993, to pay an obligation that was issued by another entity on behalf of the authority after August 18, 1993, and before December 31, 1996 (which would allow the local development finance authority to capture State and local school taxes for this purpose). Currently, the term “eligible obligation” means an obligation issued or incurred by an authority, or by a municipality on behalf of an authority, before August 19, 1993, and its subsequent refunding by a qualified refunding obligation.

Under the Act, an authority must file an annual claim with the Department of Treasury if it is eligible to receive tax increment revenue from taxes levied by a school district or this State, or to receive a distribution of appropriated funds to make up for the loss of school operating taxes. The Act lists information that a claim must include. The bill also would require that the claim contain a list and documentation of other protected obligations and the payments due on each of those other protected obligations in the fiscal year, and the total amount of all the payments due on those obligations in the fiscal year.

The bill also would add that the State Tax Commission could provide that the reimbursement calculations and the calculation of allowable capture of school taxes would have to be made for each calendar year’s tax increment revenues using a 12-month debt payment period used by the authority and approved by the State Tax Commission.

The bill’s provisions would be retroactive and effective for taxes levied after 1993.

MCL 125.2152 & 125.2161a

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would expand the definition of “eligible obligations” in the Local Development Financing Act to include an authority’s written agreement entered into before August 19, 1993, to pay bonds issued after August 18, 1993, and before December 31, 1996. The State would have to reimburse the schools for the lost tax revenue that the local development finance authorities would capture.

Date Completed: 12-10-97

Fiscal Analyst: R. Ross

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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.