



Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4482 (Substitute S-2 as reported)

Sponsor: Representative Michael Nofs

House Committee: Commerce

Senate Committee: Finance

CONTENT

The bill would amend the Tax Increment Finance Authority Act's definition of "eligible obligation" to include an ongoing management contract or contract for professional services or development services that was entered into by an authority or a municipality on behalf of an authority in 1991, and related similar written agreements executed before 1984, if the 1991 agreement both provided for automatic annual renewal and incorporated by reference the prior related agreements; however, receipt by the authority of tax increment revenue from State and local school taxes in order to pay costs arising under those contracts would be limited to the following:

- The amount permitted to be received by an authority for an eligible obligation as provided in the Act, for taxes levied before July 1, 2005.
- \$3.0 million each year for taxes levied after June 30 and before July 1 between June 30, 2005, and July 1, 2010.
- \$2,650,000 for taxes levied after June 30, 2010, and before July 1, 2011.
- \$2.4 million for taxes levied after June 30, 2011, and before July 1, 2012.
- \$2,125,000 for taxes levied after June 30, 2012, and before July 1, 2013.
- \$1.5 million for taxes levied after June 30, 2013, and before July 1, 2014.
- \$1,150,000 for taxes levied after June 30, 2014, and before July 1, 2015.
- \$0 for taxes levied after June 30, 2015.

MCL 125.1801

Legislative Analyst: J.P. Finet

FISCAL IMPACT

While it is unknown how many authorities would qualify under the bill, the changes are expected to affect very few authorities and might not affect more than the Battle Creek authority. The bill would increase the revenue that could be captured from State and local education taxes by up to \$3.0 million per 12-month period, for periods running from July 1, 2005, to June 30, 2010. After June 30, 2010, the amount would decline through June 30, 2015. The State education tax (SET) is estimated to comprise approximately 18.3% of the education mills levied in Battle Creek (and 18.9% statewide), indicating that the bill would reduce SET revenue to the School Aid Fund (SAF) by approximately \$550,000 per year through 2010. Similarly, because School Aid expenditures rise to offset any decline in locally raised school district revenue, in order to maintain per-pupil funding guarantees, the bill would increase SAF expenditures by approximately \$2.5 million per year through 2010.

Reportedly, the bill would codify a practice that already is occurring. To the extent that revenue presently is being captured, the bill would have no fiscal impact on the State and the losses identified above instead would be increased revenue (and decreased expenditures) should the practice cease if the bill were not enacted.

Date Completed: 4-28-05

Fiscal Analyst: David Zin

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Analysis available @ <http://www.michiganlegislature.org>

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