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House Bill 5074 (as reported without amendment)  
Sponsor: Representative Will Snyder  
House Committee: Local Government and Municipal Finance  
Senate Committee: Economic and Community Development

### **CONTENT**

The bill would amend Part 4 (Local Development Finance Authorities) of the Recodified Tax Increment Financing Act to allow a local development finance authority (LDFA) to retroactively approve school tax revenue captures for a period of five years for certified technology parks.

MCL 125.4402

### **BRIEF RATIONALE**

Generally, certified technology parks are referred to as SmartZones. SmartZones provide geographic areas in which technology-based companies, entrepreneurs, and researchers can work in proximity with community assets, such as colleges and universities. According to testimony, in 2015 the City of Muskegon filed to have its SmartZone, the status of which was scheduled to end in 2020, renewed until 2025. The City believed its application had been approved and continued to collect tax capture revenues; however, an administrative error prevented the extension from being officially ratified. Accordingly, it has been suggested that an LDFA be allowed to retroactively approve school tax revenue captures.

Legislative Analyst: Abby Schneider

### **FISCAL IMPACT**

The bill would have an indeterminate impact on State and local revenue as well as State expenditures. The bill would allow the retroactive approval of tax captures for plans that met the requirements of the bill. The bill would not allow retroactive captures, nor would it add additional years to an allowed capture. For the existing LDFA affected by the bill, the bill would provide correct authorization for captures that have already taken place and were expected to occur through 2024.

While the bill appears to be intended to address a technical issue specific to an existing LDFA, the language of the bill is general and would potentially be applicable in future situations. For example, if an LDFA were to continue capturing revenue beyond the default 15-year limit without seeking approval and such captures were discovered, the bill would allow them to seek approval retroactively rather than automatically invalidating the unauthorized captures. Absent the bill, the affected LDFA would likely have to refund captured amounts. Any refunds would have an indeterminate impact on the LDFA and its obligations, although presumably the impact would be negative or the LDFA would not have pursued the extended capture in the first place. Similarly, absent the bill, State Education Tax revenue to the School Aid Fund (SAF) would increase, SAF expenditures would be reduced if the foundation allowance remained unchanged, and local unit revenue through 2024 would be higher. The amount of these changes would depend on the characteristics of the affected properties.

Date Completed: 11-3-23      Fiscal Analyst: Cory Savino; Elizabeth Raczowski; David Zin

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