

# Legislative Analysis

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## TIFA NOTICES TO COUNTIES

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

### House Bills 4012-4013 and 4318 as introduced

**Sponsor:** Rep. Tom Meyer

**Committee:** Commerce

### First Analysis (2-22-05)

**BRIEF SUMMARY:** Each of the bills would amend a different act allowing for the creation of tax increment financing authorities to require that notices of hearings be mailed by certified mail to the treasurer, clerk, and chairperson of the board of commissioners of the county in which the authority district or business district was proposed to be located.

**FISCAL IMPACT:** The bills would have no state or local revenue impact. They could increase administrative costs at the local level by a small indeterminate amount.

### ***THE APPARENT PROBLEM:***

When local units of government create tax increment financing authorities, or TIFAs, they typically establish a special district, such as a downtown development district, and then capture future increases in taxes within that district for an authority to use within the district. The several acts that create TIFAs require that the governing body proposing the creation of an authority mail a notice of a hearing, at least 20 days prior to a hearing, to taxpayers of record in the proposed district and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture.

In a recent case, the county government in Tuscola County claimed not to have received notification from a local unit of the unit's plan to create a TIFA district and capture some revenue that would otherwise go to the county. The local unit claimed it had sent the proper notification. Reportedly, this conflict led to a drawn-out process resulting in strained relations and extra legal fees. Some people believe similar situations could be avoided in the future if notice was required by certified mail and if multiple county officials were notified (since officials in a county do not always share an address).

### ***THE CONTENT OF THE BILLS:***

Each of the bills would amend a different act allowing for the creation of tax increment financing authorities to require that notices of hearings be mailed by certified mail to the treasurer, clerk, and chairperson of the board of commissioners of the county in which the authority district or business district was proposed to be located. The mailings would apply to hearings on creating a district and designating district boundaries and hearings on development plans and tax increment financing plans, or on amendments to such plans. The requirement would apply beginning June 1, 2005.

Currently, the acts require that the governing body proposing the creation of an authority mail a notice of a hearing, at least 20 days prior to a hearing, to taxpayers of record in the proposed district and to the governing body of each taxing jurisdiction levying taxes that would be subject to capture. The bill's special notice provisions would apply only to the notice to counties and not to the mailing to other taxing jurisdictions.

House Bill 4012 would amend the Local Development Financing Act (MCL 125.2154 and 2166). House Bill 4013 would amend the Tax Increment Finance Authority Act (MCL 125.1803 and 1817). House Bill 4318 would amend the Downtown Development Authority Act (MCL 125.1653 and 1668).

***BACKGROUND INFORMATION:***

Similar bills passed the House in the 2003-04 legislative session.

***ARGUMENTS:***

***For:***

The notification of multiple county officials by certified mail will avoid repetition of a problem that recently occurred in Tuscola County, where county officials and officials of a village disagreed over whether there had been proper notification of the establishment of a tax increment financing authority.

***Against:***

While notification by certified mail is a good idea, it should not be necessary for a local unit to send three mailings to the county. One certified mailing to the county clerk – the official keeper of records – is all that is necessary. At the most, notification to the clerk and to the chair of the board of commissioners (since it is the board who must decide whether to cooperate with the establishment of a TIFA) ought to be sufficient.

***Response:***

The treasurer is the county officer responsible for revenue collection and ought to be involved in the notification.

***Against:***

The use of TIFAs to promote economic development has already been hampered with the post-Proposal A restrictions on the capturing of school revenues. The relatively recent notification requirements also make it more difficult to use this valuable economic development tool.

***Response:***

The TIFA process should be an open one. Counties and other units that stand to lose revenue ought to be involved. Local units that want to capture revenue ought to be made to make the case for that capture. These bills simply beef up existing notification requirements/

***POSITIONS:***

The Michigan Economic Development Corporation (MEDC) has indicated support for the bills. (2-25-05)

The Michigan Association of Counties has indicated support for the bills. (2-22-05)

The Michigan Townships Association is neutral on the bills. (2-22-05)

The Michigan Municipal League is opposed to the bills as written (with three separate mailings). (2-22-05)

Legislative Analyst: Chris Couch  
Fiscal Analyst: Jim Stansell

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.