

# HOUSE BILL No. 4463

March 14, 2013, Introduced by Reps. Walsh, Kowall, Jacobsen, Haines, Price, Townsend, Crawford, McCready, MacMaster, Forlini, Cavanagh, Stallworth, Santana, Singh, Haugh, Hobbs, Lipton, Kesto and Goike and referred to the Committee on Tax Policy.

A bill to amend 1867 PA 35, entitled  
"Nonprofit street railway act,"  
by amending section 23 (MCL 472.23), as amended by 2008 PA 486.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 23. (1) At the request of a street railway, and with the  
2 consent of the department, a city, village, or township in which a  
3 street railway system is located may establish a transit operations  
4 finance zone for a street railway system if the city, village, or  
5 township and the department determine that it is necessary for the  
6 best interests of the public to promote and finance transit  
7 operations in a zone. A parcel shall not be included in more than 1  
8 zone created under this section.

1           (2) The boundaries of a zone shall be established by the city,  
2 village, or township and may include parcels that are in whole or  
3 in part up to 1/4 mile in distance from the street railway system.  
4 Before establishing a zone, the city, village, or township shall  
5 consult with the street railway, the department, affected taxing  
6 jurisdictions, and any other person or entity that the city,  
7 village, or township considers necessary. The city, village, or  
8 township may conduct a planning study and may designate a zone  
9 before implementation of street railway system service within the  
10 zone.

11           (3) If the city, village, or township and the department  
12 determine that it is necessary for the best interests of the public  
13 to promote and finance transit operations in a zone under  
14 subsection (1), the city, village, or township shall enter into an  
15 agreement with the street railway and the department for the  
16 creation of a zone. The agreement shall include, but not be limited  
17 to, all of the following:

18           (a) The geographic boundaries of the zone, including both of  
19 the following:

20           (i) The designation of boundaries of the zone in relation to  
21 highways, streets, streams, lakes, other bodies of water, or  
22 otherwise.

23           (ii) The location and extent of existing streets and other  
24 public facilities within the zone, designating the location,  
25 character, and extent of the categories of public and private land  
26 uses then existing in the zone, including residential,  
27 recreational, commercial, industrial, educational, and other uses,

1 and including a legal description of the zone.

2 (b) A tax increment financing plan for the zone as provided  
3 under subsection (4).

4 (c) A description of specific actions to be taken by the  
5 parties under the agreement to help establish the zone.

6 (d) The requirement that amendments to the agreement must be  
7 approved by the city, village, or township, the department, and the  
8 street railway.

9 (e) Any other material that the city, village, or township,  
10 the department, or the street railway consider necessary or  
11 appropriate.

12 (4) A tax increment financing plan for a zone established  
13 under this section shall include a description of the tax increment  
14 financing procedure, the distribution of tax increment financing  
15 revenue to the street railway, and a statement of the estimated  
16 impact of tax increment financing on the assessed value of property  
17 in each taxing jurisdiction in the zone. The plan may exclude from  
18 captured assessed value growth in property value resulting solely  
19 from inflation and, if so, shall include the method for excluding  
20 that growth. The plan shall require that tax increment revenue  
21 received by a street railway under the plan be used only for the  
22 expenses of operating the street railway system. If the street  
23 railway subject to an agreement designating a zone under this  
24 section ceases to operate a street railway system in the city,  
25 village, or township that established the zone, the plan shall  
26 terminate and the zone shall be abolished. The plan shall restrict  
27 the revenue distributed to a street railway for any tax year to the

1 lesser of 25% of any operating deficit of the street railway for  
2 the prior fiscal year or \$4,000,000.00. Before including a tax  
3 increment financing plan in an agreement, the city, village, or  
4 township shall provide taxing jurisdictions in the zone levying  
5 taxes subject to capture under the plan an opportunity to meet with  
6 the city, village, or township. The city, village, or township  
7 shall fully inform the taxing jurisdictions of the fiscal and  
8 economic implications of the plan and the taxing jurisdictions may  
9 present recommendations to the city, village, or township on the  
10 tax increment financing plan.

11 (5) Before entering into an agreement for the creation of a  
12 zone under this section, the city, village, or township shall  
13 conduct a public hearing on the proposed agreement. Notice of the  
14 public hearing shall be published twice in a newspaper of general  
15 circulation in the city, village, or township, not less than 20 or  
16 more than 40 days before the date of the hearing. The notice shall  
17 state the date, time, and place of the hearing and shall describe  
18 the proposed boundaries of the zone. A citizen, taxpayer, or  
19 property owner of the city, village, or township, or an official  
20 from a taxing jurisdiction within the zone has the right to be  
21 heard on the agreement and the proposed boundaries of the zone. The  
22 agreement shall not include in the zone land not included in the  
23 description contained in the notice of public hearing, but the  
24 agreement may exclude described land from the zone in the final  
25 determination of the boundaries of the zone. A city, village, or  
26 township shall not execute an agreement for the creation of a zone  
27 under this section unless the city, village, or township finds that

1 it is necessary for the best interests of the public to promote and  
2 finance transit operations in a zone.

3 (6) An agreement designating a zone and establishing its  
4 boundaries under this section and any amendments to the agreement  
5 shall be filed by the city, village, or township with the secretary  
6 of state.

7 (7) The municipal and county treasurers shall transmit tax  
8 increment revenues to the treasurer for the city, village, or  
9 township in which the street railway system is located for  
10 distribution to the street railway according to the tax increment  
11 financing plan and the agreement. The street railway shall expend  
12 the tax increment revenues only under the terms of the tax  
13 increment financing plan and the agreement under this section.  
14 Unused funds shall revert proportionately to the respective taxing  
15 jurisdictions. Tax increment revenues shall not be used to  
16 circumvent existing property tax limitations. The city, village, or  
17 township and the department may abolish the zone if the city,  
18 village, or township and the department find that the purposes for  
19 which the zone was established are accomplished. Annually, the  
20 city, village, or township, with assistance from the street  
21 railway, shall submit to the department and the state tax  
22 commission a report on the status of the tax increment financing  
23 revenue. The report shall include all of the following:

24 (a) The amount and source of tax increment revenue received by  
25 the street railway.

26 (b) The amount and purpose of expenditures from tax increment  
27 revenue.

1 (c) The initial assessed value of the zone.

2 (d) The captured assessed value retained within the zone.

3 (e) A description of operating expenditures of the street  
4 railway.

5 (8) The state tax commission may institute proceedings to  
6 compel enforcement of this section. The state tax commission may  
7 promulgate rules necessary for the administration of this section  
8 under the administrative procedures act of 1969, 1969 PA 306, MCL  
9 24.201 to 24.328.

10 (9) As used in this section:

11 (a) "Assessed value" means the taxable value as determined  
12 under section 27a of the general property tax act, 1893 PA 206, MCL  
13 211.27a.

14 (b) "Captured assessed value" means the amount in any 1 year  
15 by which the current assessed value of a zone, including the  
16 assessed value of property for which specific local taxes are paid  
17 in lieu of property taxes, exceeds the initial assessed value. The  
18 state tax commission shall prescribe the method for calculating  
19 captured assessed value.

20 (c) "Initial assessed value" means the assessed value of all  
21 the taxable property within the boundaries of a zone at the time  
22 the tax increment financing plan is approved, as shown by the most  
23 recent equalized assessment roll of the city, village, or township  
24 at the time an agreement is approved under this section. Property  
25 exempt from taxation at the time of the determination of the  
26 initial assessed value shall be included as zero. For the purpose  
27 of determining initial assessed value, property for which a

1 specific local tax is paid in lieu of a property tax shall not be  
2 considered to be property that is exempt from taxation.

3 (d) "Parcel" means an identifiable unit of land that is  
4 treated as separate for valuation or zoning purposes.

5 (e) "Specific local tax" means a tax levied under 1974 PA 198,  
6 1976 PA 430, MCL 207.551 to 207.572, the commercial redevelopment  
7 act, 1978 PA 255, MCL 207.651 to 207.668, the technology park  
8 development act, 1984 PA 385, MCL 207.701 to 207.718, the  
9 commercial rehabilitation act, 2005 PA 210, MCL 207.841 to 207.856,  
10 the neighborhood enterprise zone act, 1992 PA 147, MCL 207.771 to  
11 207.786, the obsolete property rehabilitation act, 2000 PA 146, MCL  
12 125.2781 to 125.2797, or 1953 PA 189, MCL 211.181 to 211.182. The  
13 initial assessed value or current assessed value of property  
14 subject to a specific local tax shall be the quotient of the  
15 specific local tax paid divided by the ad valorem millage rate. The  
16 state tax commission shall prescribe the method for calculating the  
17 initial assessed value and current assessed value of property for  
18 which a specific local tax was paid in lieu of a property tax.

19 (f) "Tax increment revenues" means the amount of ad valorem  
20 property taxes and specific local taxes attributable to the  
21 application of the levy of all taxing jurisdictions upon the  
22 captured assessed value of real and personal property in the zone.  
23 Tax increment revenues do not include any of the following:

24 (i) Taxes under the state education tax act, 1993 PA 331, MCL  
25 211.901 to 211.906.

26 (ii) Taxes levied by local or intermediate school districts.

27 (iii) Taxes levied by a library established by 1901 LA 359.

1           (iv) Ad valorem property taxes attributable either to a portion  
2 of the captured assessed value shared with taxing jurisdictions  
3 within the jurisdictional area of the authority or to a portion of  
4 value of property that may be excluded from captured assessed value  
5 or specific local taxes attributable to the ad valorem property  
6 taxes.

7           (v) Ad valorem property taxes excluded by the tax increment  
8 financing plan of the authority from the determination of the  
9 amount of tax increment revenues to be transmitted to the authority  
10 or specific local taxes attributable to the ad valorem property  
11 taxes.

12           (vi) Ad valorem property taxes exempted from capture under this  
13 section or specific local taxes attributable to the ad valorem  
14 property taxes.

15           (vii) Ad valorem property taxes specifically levied for the  
16 payment of principal and interest of obligations approved by the  
17 electors or obligations pledging the unlimited taxing power of the  
18 local governmental unit or specific taxes attributable to those ad  
19 valorem property taxes.

20           (viii) Ad valorem taxes captured on property in a zone by any of  
21 the following authorities if the taxes were captured on the date  
22 that the property became subject to a tax increment financing plan  
23 under this section by any of the following authorities:

24           (A) A downtown development authority created under 1975 PA  
25 197, MCL 125.1651 to 125.1681.

26           (B) A water resource improvement tax increment finance  
27 authority created under the water resource **IMPROVEMENT** tax



1 increment finance authority act, 2008 PA 94, MCL 125.1771 to  
2 125.1794.

3 (C) A tax increment finance authority under the tax increment  
4 finance authority act, 1980 PA 450, MCL 125.1801 to 125.1830.

5 (D) A local development finance authority created under the  
6 local development finance authority act, 1986 PA 281, MCL 125.2151  
7 to 125.2174.

8 (E) A brownfield redevelopment finance authority created under  
9 the brownfield redevelopment financing act, 1996 PA 381, MCL  
10 125.2651 to 125.2672.

11 (F) A historical neighborhood tax increment finance authority  
12 created under the historical neighborhood tax increment finance  
13 authority act, 2004 PA 530, MCL 125.2841 to 125.2866.

14 (G) A corridor improvement authority created under the  
15 corridor improvement authority act, 2005 PA 280, MCL 125.2871 to  
16 125.2899.

17 (H) A neighborhood improvement authority created under the  
18 neighborhood improvement authority act, 2007 PA 61, MCL 125.2911 to  
19 125.2932.

20 (ix) **AD VALOREM PROPERTY TAXES LEVIED UNDER 1 OR MORE OF THE**  
21 **FOLLOWING OR SPECIFIC LOCAL TAXES ATTRIBUTABLE TO THOSE AD VALOREM**  
22 **PROPERTY TAXES:**

23 (A) **THE ZOOLOGICAL AUTHORITIES ACT, 2008 PA 49, MCL 123.1161**  
24 **TO 123.1183.**

25 (B) **THE ART INSTITUTE AUTHORITIES ACT, 2010 PA 296, MCL**  
26 **123.1201 TO 123.1229.**

27 (g) "Zone" means a transit operations finance zone established

1 under this section.