

**Michigan Library Association
Position Paper On
Tax Abatement and Tax Capture Plans*
April 29, 2005**

The Michigan Library Association supports legislation to hold library millages harmless from any tax abatement/tax capture programs.

The Public Library Funding Initiative Group estimated a loss of as much as \$9.4 million in FY2000 to programs such as TIFAs, Enterprise, Smart, and Brownfield Zones and similar state programs.

Public libraries with separate voted millages need to be aware of any tax abatement or tax capture proposals in their community. If a new tax increment finance authority or tax capture plan is proposed, study the proposal to see how it will impact your library. Review the proposal with your attorney and be prepared to take action to exempt your library's property tax collections.

Tax Abatement Plans (Enterprise Zones)

Tax abatement plans (also called Enterprise Zones) are government programs designed to stimulate economic growth and development by reducing property tax for specific projects within economically distressed areas.

- Michigan Renaissance Zone Act (Act 376 of 1996, last amended 1999) MCL 125.2681 - 125.2696
The state reimburses public libraries each year for all tax revenue lost as a result of all property tax exemptions under this act.
- Neighborhood Enterprise Zone Act (Act 147 of 1992) MCL 207.771 - 207.787
Local units of government that are qualified by the state may create multiple Neighborhood Enterprise Zones for the development and rehabilitation of residential housing. Property owners within those zones may apply for a certificate exempting them from payment of property taxes for six to twelve years.
- Plant Rehabilitation and Industrial Development Districts (Act 198 of 1974, last amended 2001) MCL 207.551 - 207.572
A local governmental unit (city, village or township) may establish multiple plant rehabilitation districts and industrial development districts. Property owners within those districts who wish to improve their property may apply for a certificate exempting them from payment of property taxes for a period of time up to twelve years.
- Technology Park Development Act (Act 385 Of 1984, last amended 1990) MCL 207.701 - 207.718

A city, village, or township may establish one Technology Park. Property owners within the Technology Park area may apply for a certificate exempting them from real and property taxes for one to twelve years.

Tax Capture Plans (Tax Increment Financing)

A tax capture plan (also called tax increment financing) is a government financing program that contributes to economic growth and development by dedicating a portion of the increase in the tax base resulting from economic growth and development to facilities, structures, or improvements within a development area thereby facilitating economic growth and development.

These programs allow municipalities to create separate taxing authorities within their community. Existing taxing entities (such as libraries with a separate voted millage) continue to receive taxes on the original value of the property in the taxing district but all new tax growth is captured by the authority and used for development in the taxing authority area.

- Brownfield Redevelopment Financing Act (Act 381 of 1996, last amended 2003)
MCL 125.2651 - 125.2672
A county, city, township or village may create multiple Brownfield Redevelopment Authorities to promote the revitalization, redevelopment, and reuse of certain property, including tax reverted, blighted, or functionally obsolete property.

There is no provision for public libraries to opt out of a Brownfield Redevelopment Authority. School district taxes are exempt.

- Downtown Development Authority Act (Act 197 of 1975, last amended 2004)
(MCL 125.1651 - 125.1681)
Each city, township, or village may create one Downtown Development Authority (DDA). DDA funds are used for infrastructure improvements within the downtown development area.

For Downtown Development Authorities formed after February 15, 1994, public libraries levying property taxes may exempt those taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality proposing to create the authority. School district taxes are exempt.

- Historic Neighborhood Tax Increment Finance Authority Act (Act 530 of 2004)
MCL 125.2845 - 125.2866
Cities and townships may set up multiple authorities within a local historic district. Public libraries levying property taxes may exempt those taxes from capture by adopting a resolution to that effect. In the event that the governing body levies a separate millage for public library purposes, at the request of the public library board, that separate millage shall be exempt from the capture. School district taxes are exempt.

- Local Development Financing Act (Act 281 of 1986, last amended 2000) MCL 125.2151 - 125.2174
Municipalities (cities, villages, and urban townships) may create one Local Development Authority in order to prevent conditions of unemployment and promote economic growth.

For Local Development Authorities formed after February 15, 1994, public libraries levying property taxes may exempt those taxes from capture by adopting a resolution to that effect and filing a copy with the clerk of the municipality proposing to create the authority. School district taxes are exempt.

- Tax Increment Finance Authorities (Act 450 of 1980) MCL 125.1801 - 125.1830
This act allowed cities to set up a separate taxing district (TIFA) to encourage economic development and activity and to encourage neighborhood revitalization and historic preservation. Beginning January 1, 1987 new TIFAs cannot be created and existing boundaries cannot be expanded.

**This position paper drew on information in the Public Library Funding Initiative Group Report.*