



**House  
Legislative  
Analysis  
Section**

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**NEIGHBORHOOD ENTERPRISE ZONE**

House Bill 5558 as enrolled  
Public Act 242 of 1996  
Second Analysis (6-11-96)

**Sponsor: Rep. Mary Lou Parks**  
**House Committee: Tax Policy**  
**Senate Committee: Economic  
Development, International Trade and  
Regulatory Affairs**

***THE APPARENT PROBLEM:***

The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in distressed or declining urban areas, where little or no new construction was taking place and much housing was in need of rehabilitation. The act offers reduced property taxes to property owners in certain designated zones. Generally, new construction pays at a rate of one-half of the statewide average property tax rate for either homestead or non-homestead property, whichever applies, and rehabilitated housing pays taxes based on the value prior to the improvement. (The abatement applies to structures and not to the land.) An owner or developer must obtain the approval of the local unit of government and the State Tax Commission to obtain a neighborhood enterprise zone certificate, which is good for 12 years. The act requires that an application for a certificate be filed before a building permit is issued (although there are exceptions). According to tax specialists, for some property in two new subdivisions in an enterprise zone in Detroit, Virginia Park and Victoria Park, developers obtained building permits before submitting applications for certificates. (Reportedly, they relied on erroneous advice from city officials and were misled by the application form designed by the state.) The city granted the certificates, but the State Tax Commission denied them. As a result, many homes in the subdivisions are without anticipated property tax reductions (while others have been granted them). Legislation has been introduced to address this specific circumstance.

***THE CONTENT OF THE BILL:***

The bill would amend the Neighborhood Enterprise Zone Act to permit an application for an exemption certificate to be filed after a building permit had been issued in the case of the construction of a new facility if the area in which the new facility is located was designated as a neighborhood enterprise zone by the governing body of the local unit in calendar year 1992 or 1993 and if the

building permit was issued for the new facility before December 31, 1995 and after January 1, 1993.

MCL 207.774

***FISCAL IMPLICATIONS:***

The bill would have no fiscal impact, according to the House Fiscal Agency. (Fiscal Note date 2-26-96)

***ARGUMENTS:***

***For:***

The bill would permit the issuance of tax abatement certificates to residents of two new subdivisions in Detroit, as had originally been anticipated. The certificates have not been issued due to technical imperfections in the applications as a result of a misinterpretation of the law. The bill would allow a narrowly targeted exception to the requirement that an application for a certificate be filed before the issuance of a building permit. (Similar kinds of exceptions have been made on numerous occasions for industrial tax abatements.)

***Response:***

Property taxes for schools have already been cut significantly with the passage of Proposal A in 1994; this neighborhood enterprise zone tax break no longer seems necessary. At least it should be limited to homeowners with low or moderate incomes.

Analyst: C. Couch

■ 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.

House Bill 5558 (6-11-96)