



HOUSE BILL No. 5220

October 10, 1995, Introduced by Reps. Brackenridge, Bullard, Gernaat and Goschka and referred to the Committee on Tax Policy.

A bill to amend sections 2, 3, and 9 of Act No. 147 of the Public Acts of 1992, entitled "Neighborhood enterprise zone act," section 9 as amended by Act No. 369 of the Public Acts of 1994, being sections 207.772, 207.773, and 207.779 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 2, 3, and 9 of Act No. 147 of the
2 Public Acts of 1992, section 9 as amended by Act No. 369 of the
3 Public Acts of 1994, being sections 207.772, 207.773, and 207.779
4 of the Michigan Compiled Laws, are amended to read as follows:

5 Sec. 2. As used in this act:

6 (a) "Commission" means the state tax commission created by
7 Act No. 360 of the Public Acts of 1927, being sections 209.101 to
8 209.107 of the Michigan Compiled Laws.

1 (b) "Condominium unit" means that portion of a structure
2 intended for separate ownership, intended for residential use,
3 and established pursuant to the condominium act, Act No. 59 of
4 the Public Acts of 1978, being sections 559.101 to 559.275 of the
5 Michigan Compiled Laws.

6 (c) "Developer" means a person who is the owner of a new
7 facility at the time of construction or of a rehabilitated facil-
8 ity at the time of rehabilitation for which a neighborhood enter-
9 prise zone certificate is applied for or issued.

10 (d) "Local governmental unit" means a city, township, or
11 village that meets all of the applicable following criteria at
12 the time of certification by the Michigan enterprise zone author-
13 ity under section 14; or a city that meets 3 or more of the
14 applicable following criteria and that has the largest population
15 of the cities within a metropolitan statistical area, as desig-
16 nated by the United States bureau of the census at the time of
17 certification by the Michigan enterprise zone authority under
18 section 14:

19 (i) For a city, the following:

20 (A) Has a population of 10,000 or more according to the most
21 recent federal decennial census.

22 (B) Had an average unemployment rate of 8.0% or more during
23 the most recent calendar year for which the data is available
24 from the Michigan employment security commission or had a total
25 millage rate of 84 or more mills levied in the most recent ad
26 valorem property tax levy.

1 (C) Had a total millage rate of 63.3 mills or more levied in
2 the most recent ad valorem property tax levy or levies a city
3 income tax.

4 (D) Has a housing stock of which 60% or more of the units
5 were built before 1960 as reported in the most recent federal
6 decennial census.

7 (E) Has had a percentage increase in state equalized valua-
8 tion between 1970 and 1990 below 140%.

9 (F) Had a decline in population of more than 5% between 1970
10 and 1990.

11 (ii) For a village or township, all of the following:

12 (A) Has a population of 5,000 or more according to the most
13 recent federal decennial census.

14 (B) Had an average unemployment rate of 17% or more during
15 the most recent calendar year for which the data is available
16 from the Michigan employment security commission.

17 (C) Had a total millage rate of 65 mills or more levied in
18 the most recent ad valorem property tax levy.

19 (D) Had a decline in population of more than 20% between
20 1970 and 1990.

21 (e) "New facility" means a new structure that has as its
22 primary purpose residential housing consisting of 1 or 2 units, 1
23 of which is or will be occupied by an owner as his or her princi-
24 pal residence. New facility includes a new individual condomin-
25 ium unit, in a structure with 1 or more condominium units, that
26 has as its primary purpose residential housing and that is or

1 will be occupied by an owner as his or her principal residence.

2 New facility does not include apartments.

3 (f) "Neighborhood enterprise zone certificate" or

4 "certificate" means a certificate issued pursuant to sections 4,
5 5, and 6.

6 (g) "Owner" means the record title holder of, or the vendee
7 of the original land contract pertaining to, a new facility or a
8 rehabilitated facility for which a neighborhood enterprise zone
9 certificate is applied for or issued.

10 (h) "Rehabilitated facility" means an existing structure
11 with a current true cash value of \$60,000.00 or less per unit
12 that has or will have as its primary purpose residential housing
13 consisting of 1 to 8 units, the owner of which proposes improve-
14 ments that if done by a licensed contractor would cost in excess
15 of \$5,000.00 per owner-occupied unit or 50% of the true cash
16 value, whichever is less, or \$7,500.00 per nonowner-occupied unit
17 or 50% of the true cash value, whichever is less, and will bring
18 the structure into conformance with minimum local building code
19 standards for occupancy or improve the livability of the units
20 while meeting minimum local building code standards.

21 Rehabilitated facility also includes an individual condominium
22 unit, in a structure with 1 or more condominium units that has as
23 its primary purpose residential housing, the owner of which pro-
24 poses the above described improvements. Rehabilitated facility
25 does not include a facility rehabilitated with the proceeds of an
26 insurance policy for property or casualty loss.

1 (I) "TAXABLE VALUE" MEANS THAT VALUE DETERMINED UNDER
2 SECTION 27A OF THE GENERAL PROPERTY TAX ACT, ACT NO. 206 OF THE
3 PUBLIC ACTS OF 1893, BEING SECTION 211.27A OF THE MICHIGAN
4 COMPILED LAWS.

5 Sec. 3. (1) The governing body of a local governmental unit
6 by resolution may designate 1 or more neighborhood enterprise
7 zones within that local governmental unit. A neighborhood enter-
8 prise zone, other than a neighborhood enterprise zone designated
9 pursuant to subsection (2), shall contain not less than 10
10 platted parcels of land. All the land within a neighborhood
11 enterprise zone shall also be compact and contiguous.

12 (2) A local governmental unit may designate 1 or more neigh-
13 borhood enterprise zones limited to new facilities if each new
14 facility in the zone is part of a development of 10 or more
15 units. The total acreage of the neighborhood enterprise zones
16 designated under this subsection shall not exceed 1% of the total
17 acreage contained within the boundaries of the local governmental
18 unit.

19 (3) Not less than 60 days before the passage of a resolution
20 designating a neighborhood enterprise zone or the repeal or
21 amendment of a resolution under subsection (6), the clerk of the
22 local governmental unit shall give written notice to the assessor
23 and to the governing body of each taxing unit that levies ad
24 valorem property taxes in the proposed neighborhood enterprise
25 zone. Before acting upon the resolution, the governing body of
26 the local governmental unit shall make a finding that a proposed
27 neighborhood enterprise zone is consistent with the master plan

1 of the local governmental unit and the neighborhood preservation
2 and economic development goals of the local governmental unit.
3 The governing body before acting upon the resolution shall also
4 adopt a statement of the local governmental unit's goals, objec-
5 tives, and policies relative to the maintenance, preservation,
6 improvement, and development of housing for all persons regard-
7 less of income level living within the proposed neighborhood
8 enterprise zone. Additionally, before acting upon the resolution
9 the governing body shall pass a housing inspection ordinance that
10 at a minimum requires that before the sale of a unit in a new or
11 rehabilitated facility for which a neighborhood enterprise zone
12 certificate is in effect, an inspection is made of the unit to
13 determine compliance with any local construction or safety codes
14 and that a sale may not be finalized until there is compliance
15 with those local construction or safety codes. The governing
16 body shall hold a public hearing not later than 45 days after the
17 date the notice is sent but before acting upon the resolution.

18 (4) Upon receipt of a notice under subsection (3), the
19 assessor shall determine and furnish to the governing body of the
20 local governmental unit the amount of the true cash value AND THE
21 TAXABLE VALUE of the property located within the proposed neigh-
22 borhood enterprise zone and any other information considered nec-
23 essary by the governing body.

24 (5) The total amount of acreage included within neighborhood
25 enterprise zones other than zones designated under subsection (2)
26 in a local governmental unit that meets all the criteria under
27 section 2(d)(i) or (ii) shall not exceed 10% or for a local

1 governmental unit that does not meet all the criteria under
2 section 2(d)(i) or (ii) shall not exceed 5% of the total acreage
3 contained within the boundaries of the local governmental unit or
4 500 acres within a local governmental unit that established an
5 enterprise zone before 1992 under the enterprise zone act, Act
6 No. 224 of the Public Acts of 1985, being sections 125.2101 to
7 ~~125.2122~~ 125.2123 of the Michigan Compiled Laws. This limit is
8 increased for a local governmental unit by 1% for each 1/2%
9 reduction in the ad valorem property tax millage rate levied for
10 all purposes by the local governmental unit, but not to exceed a
11 total limit of 25%. Additionally, this limit is decreased by 1%
12 for each 1/2% increase in the ad valorem property tax millage
13 rate levied for all purposes by the local governmental unit, but
14 not decreased to less than the amount of the initial limit pro-
15 vided for under this subsection. However, a decrease in the
16 total amount of acreage allowed under this subsection does not
17 invalidate a certificate that is issued or in effect and a facil-
18 ity for which a certificate is issued or in effect shall continue
19 to be included in the total acreage limitation until the certifi-
20 cate is expired or revoked. The reduction or increase in the
21 millage rate shall be calculated using the millage rate levied in
22 the year in which the first neighborhood enterprise zone is des-
23 ignated by the governing body of the local governmental unit.

24 (6) A resolution designating a neighborhood enterprise zone,
25 other than a zone designated under subsection (2), may be
26 repealed or amended not sooner than 3 years after the date of
27 adoption or of the most recent amendment of the resolution by the

1 governing body of the local governmental unit. The repeal or
2 amendment of the resolution shall take effect 6 months after
3 adoption. However, an action taken under this subsection does
4 not invalidate a certificate that is issued or in effect and a
5 facility for which a certificate is issued or in effect shall
6 continue to be included in the total acreage limitations under
7 this section until the certificate is expired or revoked.

8 (7) Upon passage, amendment, or repeal of a resolution under
9 this section, the clerk of the local governmental unit shall
10 notify the commission of the action taken.

11 Sec. 9. (1) There is levied on the owner of a new facility
12 or a rehabilitated facility to which a neighborhood enterprise
13 zone certificate is issued a specific tax known as the neighbor-
14 hood enterprise zone tax.

15 (2) A new facility or a rehabilitated facility for which a
16 neighborhood enterprise zone certificate is in effect, but not
17 the land on which the facility is located, is exempt from ad
18 valorem real property taxes levied under the general property tax
19 act, Act No. 206 of the Public Acts of 1893, being sections 211.1
20 to 211.157 of the Michigan Compiled Laws.

21 (3) The amount of the neighborhood enterprise zone tax on a
22 new facility is determined each year by multiplying the ~~state~~
23 ~~equalized valuation~~ TAXABLE VALUE of the facility, not including
24 the land, by 1 of the following:

25 (a) For property that would otherwise meet the definition of
26 a homestead under section 7dd of Act No. 206 of the Public Acts
27 of 1893, being section 211.7dd of the Michigan Compiled Laws, if

1 that property was not exempt from ad valorem property taxes under
2 this act, 1/2 of the average rate of taxation levied in this
3 state in the immediately preceding calendar year on homestead
4 property and qualified agricultural property as defined in
5 section 7dd of Act No. 206 of the Public Acts of 1893. However,
6 in 1994 only, the average rate of taxation shall be the average
7 rate of taxation levied in 1993 upon all property in this state
8 upon which ad valorem taxes are assessed.

9 (b) For property that is not a homestead under section 7dd
10 of Act No. 206 of the Public Acts of 1893, 1/2 of the average
11 rate of taxation levied upon commercial, industrial, and utility
12 property upon which ad valorem taxes are assessed as determined
13 for the immediately preceding calendar year by the state board of
14 assessors under section 13 of Act No. 282 of the Public Acts of
15 1905, being section 207.13 of the Michigan Compiled Laws.
16 However, in 1994 only, the average rate of taxation shall be the
17 average rate of taxation levied in 1993 upon all property in this
18 state upon which ad valorem taxes are assessed.

19 (4) The amount of the neighborhood enterprise zone tax on a
20 rehabilitated facility is determined each year by multiplying the
21 ~~state-equalized valuation~~ TAXABLE VALUE of the rehabilitated
22 facility, not including the land, for the tax year immediately
23 preceding the effective date of the neighborhood enterprise zone
24 certificate by the total mills levied under Act No. 206 of the
25 Public Acts of 1893 for the current year by all taxing units
26 within which the rehabilitated facility is located.

1 (5) The neighborhood enterprise zone tax is an annual tax,
2 payable at the same times, in the same installments, and to the
3 same officer or officers as taxes imposed under Act No. 206 of
4 the Public Acts of 1893 ~~, being sections 211.1 to 211.157 of the~~
5 ~~Michigan Compiled Laws,~~ are payable. Except as otherwise pro-
6 vided in this section, the officer or officers shall disburse the
7 neighborhood enterprise zone tax received by the officer or offi-
8 cers each year to the state, cities, townships, villages, school
9 districts, counties, and authorities at the same times and in the
10 same proportions as required for the disbursement of taxes col-
11 lected under Act No. 206 of the Public Acts of 1893. To deter-
12 mine the proportion for the disbursement of taxes under this sub-
13 section and for attribution of taxes under subsection (7) for
14 taxes collected after June 30, 1994, the number of mills levied
15 for local school district operating purposes to be used in the
16 calculation shall equal the number of mills for local school dis-
17 trict operating purposes levied in 1993 minus the number of mills
18 levied under the state education tax act, Act No. 331 of the
19 Public Acts of 1993, being sections 211.901 to 211.906 of the
20 Michigan Compiled Laws, for the year for which the disbursement
21 is calculated.

22 (6) An intermediate school district receiving state aid
23 under sections 56, 62, and 81 of the state school aid act of
24 1979, Act No. 94 of the Public Acts of 1979, being sections
25 388.1656, 388.1662, and 388.1681 of the Michigan Compiled Laws,
26 of the amount that would otherwise be disbursed to or retained by
27 the intermediate school district, all or a portion, to be

1 determined on the basis of the tax rates being utilized to
2 compute the amount of state aid, shall be paid to the state trea-
3 sury to the credit of the state school aid fund established by
4 section 11 of article IX of the state constitution of 1963. If
5 and for the period that the state school aid act of 1979, Act
6 No. 94 of the Public Acts of 1979, being sections 388.1601 to
7 388.1772 of the Michigan Compiled Laws, is amended or its succes-
8 sor act is enacted or amended to include a provision that pro-
9 vides for adjustments in state school aid to account for the
10 receipt of revenues provided under this act in place of exempted
11 ad valorem property tax, revenues required to be remitted or
12 returned to the state treasury to the credit of the state school
13 aid fund shall be distributed instead to the intermediate school
14 districts. If the sum of any industrial facility tax levied
15 under Act No. 198 of the Public Acts of 1974, being
16 sections 207.551 to 207.572 of the Michigan Compiled Laws, the
17 commercial facilities tax levied under the commercial redevelop-
18 ment act, Act No. 255 of the Public Acts of 1978, being
19 sections 207.651 to 207.668 of the Michigan Compiled Laws, and
20 the neighborhood enterprise zone tax LEVIED UNDER THIS ACT, paid
21 to the state treasury to the credit of the state school aid fund
22 that would otherwise be disbursed to the intermediate school dis-
23 trict exceeds the amount received by the intermediate school dis-
24 trict under sections 56, 62, and 81 of Act No. 94 of the Public
25 Acts of 1979, the department of treasury shall allocate to each
26 eligible intermediate school district an amount equal to the
27 difference between the sum of the industrial facility tax, the

1 commercial facilities tax, and the neighborhood enterprise zone
2 tax paid to the state treasury to the credit of the state school
3 aid fund and the amount the intermediate school district received
4 under sections 56, 62, and 81 of Act No. 94 of the Public Acts of
5 1979.

6 (7) For neighborhood enterprise zone taxes levied after 1993
7 for school operating purposes, the amount that would otherwise be
8 disbursed to a local school district shall be paid instead to the
9 state treasury and credited to the state school aid fund estab-
10 lished by section 11 of article IX of the state constitution of
11 1963.

12 (8) The officer or officers shall send a copy of the amount
13 of disbursement made to each unit under this section to the com-
14 mission on a form provided by the commission. The neighborhood
15 enterprise zone tax is a lien on the real property upon which the
16 new facility or rehabilitated facility subject to the certificate
17 is located until paid. The continuance of a certificate is con-
18 ditional upon the annual payment of the neighborhood enterprise
19 zone tax and the ad valorem tax on the land under Act No. 206 of
20 the Public Acts of 1893.

21 (9) If payment of the tax under this act is not made by the
22 March 1 following the levy of the tax, the tax shall be turned
23 over to the county treasurer and collected in the same manner as
24 a delinquent tax under Act No. 206 of the Public Acts of 1893.