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## NEIGHBORHOOD ENTERPRISE ZONE EXEMPTIONS

House Bill 4459

Sponsor: Rep. LaMar Lemmons III

Committee: Tax Policy

Complete to 4-27-01

### A SUMMARY OF HOUSE BILL 4459 AS INTRODUCED 3-13-01

Under the Neighborhood Enterprise Zone Act, new or rehabilitated residential property in certain specially designated zones in eligible communities can receive property tax reductions. The act requires generally that an application for a tax abatement be filed before a building permit is issued for the new construction or rehabilitation of the housing. There are several exceptions to this requirement. House Bill 4459 would add a new exception in the case of the construction of a new facility if the area in which it was located had been designated as a neighborhood enterprise zone by the governing body of the local unit of government in July 1997 and if the building permit had been issued for that new facility on February 3, 1998. The bill's provisions would be retroactive to December 31, 1999.

If the enactment of the bill resulted in an overpayment of property taxes, a rebate of taxes (including any interest paid) would have to be made to the taxpayer by the local unit or by the county treasurer, depending on who had possession of the tax roll within 30 days of a taxpayer's request. The rebate would be without interest.

(The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in certain "distressed" urban communities. The act offers reduced property taxes to residential property owners in certain zones designated by local units. Generally speaking, owners of new construction pay taxes at the rate of one-half of the statewide average property tax rate and owners of rehabilitated housing pay taxes based on the value of the property prior to rehabilitation. The abatement applies to structures and not to land. Property owners who obtain a neighborhood enterprise zone certificate are exempt from property taxes and pay a specific tax instead. This is similar to the tax abatement program available for manufacturing facilities under Public Act 198 of 1974. Approval of the local unit and the State Tax Commission is required to obtain a certificate, which is good for 12 years. A new facility must be owner-occupied housing of one or two units, and can include an individual condominium unit. Apartments don't qualify. A rehabilitated facility can consist of up to eight units and must meet certain specified rehabilitation expenditure requirements.)

Analyst: C. Couch

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