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## EFFECTIVE DATE OF NEZ CERTIFICATE

House Bill 4548 as enrolled  
Public Act 158 of 2001  
Second Analysis (1-17-02)

Sponsor: Rep. Nancy Cassis  
House Committee: Commerce  
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 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 one-half of the statewide average property tax rate and rehabilitated housing pays taxes based on a property's value prior to its improvement. An owner or developer must obtain the approval of the local unit of government and the State Tax Commission for an exemption certificate good for 12 years.

The act says a certificate takes effect on the first day of the tax year following the year in which the housing was substantially completed and, in the case of new housing, was occupied by an owner as a principal residence. This means, say critics, that if a new home was completed in the fall of 2000 but not occupied until early in 2001, the exemption would not apply until the 2002 tax year, and the property would be subject to the full unabated taxes for the 2001 tax year. The difference between the amount of taxes due can be significant; in Detroit for example, it would be the difference between 16 mills and 60 mills, according to testimony before the House Commerce Committee. Not only does this deny homeowners the promised tax break, but developers have said that it sometimes affects the ability of prospective buyers to get a mortgage, because the high first year taxes can make it harder for them to qualify for the loan. Legislation has been introduced in an attempt to rectify this situation.

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

The bill would amend the Neighborhood Enterprise Zone Act to change the effective date of a neighborhood enterprise zone certificate. Currently, such a certificate takes effect on the first day of the tax year following the year in which the housing was substantially completed and, for new housing, occupied by an owner as a principal residence. Under the bill, the effective date would be December 31 in the year in which the new facility was substantially completed and, for a new facility, occupied by an owner as a principal residence. If, however, a new facility was substantially completed in a year but was not occupied by an owner as a principal residence until the following year, and if so requested by the owner, the effective date of the certificate would be December 31 in the year immediately preceding the date of occupancy by the owner as a principal residence. Further, upon the request of the owner, the effective date of a certificate for a rehabilitated facility would be December 31 in the year immediately preceding the date on which the rehabilitated facility was substantially completed.

MCL 207.780

### ***FISCAL IMPLICATIONS:***

The House Fiscal Agency reports that the bill could result in an indeterminate decrease in state and local revenues, with the fiscal impact depending on the number of facilities receiving certificates and the value of the property. (Fiscal Note dated 11-1-01)

House Bill 4548 (1-17-02)

**ARGUMENTS:*****For:***

The bill would address the problem some homeowners face when moving into housing in a special tax-abated zone under the Neighborhood Enterprise Zone Act. The certificate's current effective date can result in homeowners sometimes being required to pay the full non-abated property taxes in the first year of occupancy. This occurs if, for example, a new home is finished late in one year but not occupied until the next year. The bill would give property owners a choice of when the exemption certificate was to take effect. (Exemptions would still last for 12 years total.)

Analyst: C. Couch

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■ 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.