



**House
Legislative
Analysis
Section**

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**BROWNFIELDS: DEFINITION OF
SPECIFIC TAX**

**House Bill 5472 as introduced
First Analysis (12-12-01)**

**Sponsor: Rep. Jason Allen
Committee: Commerce**

THE APPARENT PROBLEM:

The Brownfield Redevelopment Financing Act allows special redevelopment authorities to capture increases in local tax revenues resulting from redevelopment, with the money to be used for a wide variety of projects at contaminated property or blighted and functionally obsolete property. Eligible projects include environmental cleanup, demolition of structures, site preparation, and such infrastructure improvements as streets, sidewalks, pedestrian malls, parking facilities, sewers, sewage treatment, and water lines, among others. The revenues that can be captured for such purposes come both from ad valorem property taxes (the standard variety property tax) and specific taxes. Typically, a specific tax is a tax levied in lieu of property taxes. It replaces the property tax for property in certain designated areas, usually with the intent of providing a reduction in property taxes. The Brownfield Redevelopment Financing Act defines the term "specific taxes" by listing the specific taxes created under various property tax abatement statutes. Through an oversight, the act fails to refer to the specific tax levied under the Neighborhood Enterprise Zone Act. That act creates special zones where residential property can receive tax abatements and is aimed at improving the housing stock in areas where there has recently been little new residential construction. Some people believe that this oversight, which might create a disincentive to carry out brownfield projects to promote residential development, should be corrected.

THE CONTENT OF THE BILL:

The bill would amend the Brownfield Redevelopment Financing Act to include within the definition of the term "specific taxes" the tax levied under the Neighborhood Enterprise Zone Act.

MCL 125.2652

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would likely have little impact on state revenues, although it could cause a transfer of revenue from local units to a brownfield authority. (Fiscal Note dated 12-10-01)

ARGUMENTS:

For:

Under the bill, tax increment revenues from the specific tax levied under the Neighborhood Enterprise Zone Act would be available for capture by a brownfield authority in the same way that revenues from the other specific taxes are. As it now stands, the brownfield statute does not allow for a capture of these revenues. This is said to be an oversight. Supporters of the bill say that leaving the neighborhood enterprise zone specific tax out of the brownfield law creates a disincentive for residential development in brownfield areas. They say that rebuilding housing stock and attracting residents to city centers are among the largest challenges facing many cities.

POSITIONS:

Detroit Renaissance has indicated support for the bill. (12-11-01)

Analyst: C. Couch

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