

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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Senate Bill 1519 (as enrolled)

Sponsor: Senator Bill Schuette

Senate Committee: Economic Development, International Trade and Regulatory Affairs

House Committee: Tax Policy

PUBLIC ACT 608 of 2002

Date Completed: 1-10-03

RATIONALE

Under the Neighborhood Enterprise Zone Act, the owner or developer of a residential housing facility may apply for a neighborhood enterprise zone certificate, which exempts new or rehabilitated housing in a neighborhood enterprise zone from the regular property tax. Instead, the housing is subject to a specific neighborhood enterprise zone tax. The tax rate for new housing is half the amount that would be assessed on the facility if it were not in a neighborhood enterprise zone and, for rehabilitated housing, the rate is the same that was imposed before renovations were made.

As a rule, the application for a neighborhood enterprise zone certificate must be filed before a building permit is issued for the facility. Occasionally, however, a neighborhood enterprise zone certificate is not issued due to red tape and errors in paperwork, rendering the owner of the property ineligible for the tax break. This was the case in the Brush Park neighborhood in Detroit, where many people evidently moved into new and renovated housing, expecting to be subject to the reduced tax rate. Similar situations have occurred approximately 25 times since the Act went into effect. In a number of cases, the Act has been amended retroactively to allow the owner or developer of the property in question to receive a neighborhood enterprise zone certificate even though a building permit already was issued. It was proposed that the same action be taken in the Brush Park case to rectify the situation for residents of the neighborhood.

CONTENT

The bill amended the Neighborhood Enterprise Zone Act to allow the owner or developer of a facility to apply for a neighborhood enterprise zone certificate after receiving a building

permit for a new or rehabilitated facility, if the facility is located in an area designated as a neighborhood enterprise zone by the local governmental unit in July 1996 and if the building permit was issued on or before July 3, 2001. For any certificate issued under the bill, the effective date of the certificate is January 1, 2001.

MCL 207.774

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Through no fault of their own, Brush Park residents were denied a tax break to which they should have been entitled. Since the Legislature has taken steps to remedy the same problem for other housing developments in neighborhood enterprise zones, it is appropriate to take the same course of action in this situation.

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill will minimally reduce non-school local unit revenues, minimally increase State revenues, and minimally increase expenditures from the State School Aid Fund.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.