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House Bill 4459 (Substitute H-1 as reported without amendment)  
Sponsor: Representative LaMar Lemmons III  
House Committee: Tax Policy  
Senate Committee: Finance

## **CONTENT**

The bill would amend the Neighborhood Enterprise Zone Act to allow an application for a neighborhood enterprise zone certificate to be filed after a building permit had been issued for the construction of a new facility, if the area in which the new facility was located had been designated as a neighborhood enterprise zone by the governing body of the local governmental unit in July 1997, and if the building permit had been issued for that facility on February 3, 1998. The bill specifies that it would be retroactive and effective December 31, 1999.

The bill provides that if its enactment resulted in an overpayment of property taxes, a rebate including interest paid would have to be made to a taxpayer by the local unit or the county treasurer (whichever had possession of the tax roll) within 30 days of the taxpayer's request. The local unit could not pay any interest on the rebate for the period of time the local unit had possession of the property taxes.

Under the Act, the governing body of an eligible local unit may designate one or more neighborhood enterprise zones within the local unit. The owner or developer of a proposed new or rehabilitated residential housing facility may apply with the local unit for a neighborhood enterprise zone certificate. The Act requires that an application for a certificate be filed before a building permit is issued, though there are some exceptions to this requirement. A new or rehabilitated facility for which a certificate is in effect is exempt from property taxes, and instead is subject to a specific neighborhood enterprise zone tax.

MCL 207.774

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

Based on average property tax rates in 1999, the bill would reduce School Aid Fund revenues by approximately \$1,500 per year. Qualified property under the Neighborhood Enterprise Zone Act is exempt from property tax on the value of the residential facility, and instead is subject to a specific neighborhood enterprise zone tax. The retroactive provisions of the bill would lead to a refund on taxes already paid, thus reducing School Aid Fund revenues by an additional \$1,500 in FY 2000-01.

The bill would reduce local revenues by approximately \$4,800 per year. Property tax revenues would fall by about \$12,700 but would be replaced by neighborhood enterprise zone taxes of approximately \$7,900. The retroactive provisions of the bill would result in a refund on taxes already paid, thus reducing local revenues by an additional \$4,800 in FY 2000-01.

Date Completed: 5-29-01

Fiscal Analyst: D. Zin