

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 4548 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Representative Nancy Cassis

House Committee: Commerce

Senate Committee: Economic Development, International Trade and Regulatory Affairs

### **CONTENT**

The bill would amend the Neighborhood Enterprise Zone Act to change the effective date of a neighborhood enterprise zone certificate. Currently, a certificate becomes effective on the first day of the tax year following the year in which the new facility or rehabilitated facility is substantially completed and, for a new facility, occupied by an owner as a principal residence. Under the bill, the effective date of a certificate would be December 31 in the year in which a new or rehabilitated facility was substantially completed and, for a new facility, occupied by an owner as a principal residence. If, however, a new facility or a rehabilitated facility were substantially completed in a year but not occupied by an owner as a principal residence until the following year, upon the owner's request the effective date of the certificate would be December 31 in the year preceding the date of occupancy.

(The Act allows eligible governmental units to designate neighborhood enterprise zones, within which the owner or developer of property may receive a certificate that exempts new or rehabilitated housing from the property tax, and subjects it instead to a specific neighborhood zone tax. Essentially, the zone tax on a new facility is half the amount of the property tax that otherwise would be assessed. The tax on a rehabilitated facility is frozen at the rate imposed before the renovations were made. Certificates are in effect for 12 years and cannot be issued after December 31, 2002.)

MCL 207.780

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

In the short term, the bill would reduce State and local property tax revenues by an unknown amount. The fiscal impact would depend upon the number of facilities receiving certificates and the value of the properties affected by the bill. In fiscal year 2001-02, exemption certificates under the Neighborhood Enterprise Zone Act reduced local property tax revenues by an estimated \$2.5 million in the eight cities that participate in the program. Since the bill would affect only properties where completion and occupancy occur in different years, it is expected that few properties would be affected by the bill. Consequently, it is expected that the impact of the bill on local units would be a fraction of the \$2.5 million figure. The impact of the bill on State revenues would be much less than the impact on local revenues due to the lower millage rate levied by the State.

For those properties where the owner elected to advance the effective date of the exemption, the bill would reduce local unit revenues in the short term and increase them in the long term. Advancing the effective date of the exemption for those properties would effectively convert the exemption into an 11-year exemption, thus allowing the local unit to receive more revenues than it would otherwise.

Date Completed: 10-23-01

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Fiscal Analyst: D. Zin

Bill Analysis @ <http://www.senate.state.mi.us/sfa>

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.