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SFA BILL ANALYSIS

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House Bill 4548 (as passed by the House)
Sponsor: Representative Nancy Cassis
House Committee: Commerce
Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 10-16-01

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 immediately *preceding* the tax year in which a new or rehabilitated facility was substantially completed and, for a new facility, occupied by an owner as a principal residence.

(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. Because, in the short term, the bill would affect only properties where completion and occupancy occur in different years, it is expected that few properties would be affected and the impact 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.

In the long term, the bill would increase local unit revenues. For properties where the new or rehabilitated facility is completed and occupied in the same year, which are assumed to represent a majority of the properties covered by the program, the exemption effectively would be converted into an 11-year exemption and thus allow the local unit to receive more revenues than it would otherwise.

Fiscal Analyst: D. Zin

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