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BILL ANALYSIS

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House Bill 5140 (Substitute H-3 as passed by the House)

Sponsor: Representative Jim A. Plakas

House Committee: Commerce

Senate Committee: Commerce and Labor

Date Completed: 12-7-04

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 was 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 August 2004 and if building permits had been issued for that facility beginning November 5, 2002, through December 23, 2003.

The Act allows eligible local governmental units to designate neighborhood enterprise zones, within which the owner or developer of property may receive a neighborhood enterprise zone certificate that exempts new or rehabilitated housing from the property tax and subjects it, instead, to a specific neighborhood enterprise zone tax. The tax rate for new housing is half the statewide average tax rate; for rehabilitated housing, the tax is computed based on the value of the facility before renovations were made. An application for a certificate must be filed before a building permit is issued, but the Act contains several exceptions to that requirement. The bill would add an exception for an application described above.

(Under the Act, "new facility" means a new structure or a portion of a new structure that has as its primary purpose residential housing consisting of one or two units, one of which is or will be occupied by an owner as his or her principal residence. The term includes a new individual condominium unit, but does not include apartments.)

MCL 207.774

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local property tax revenue and increase State School Aid Fund expenditures by an unknown and likely minimal amount. School Aid Fund expenditures would be increased because the School Aid Fund ensures that the combination of State aid and locally raised revenue reaches a given per-pupil level. As a result, reductions in local school district property tax revenue are offset by increased School Aid Fund expenditures.

The fiscal impact is preliminary and will be revised as new information becomes available.

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.