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House Bill 5344 (as passed by the House)  
Sponsor: Representative Artina T. Hardman  
House Committee: Commerce  
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 3-17-04

### **CONTENT**

The bill would amend the Neighborhood Enterprise Zone Act to provide for an exception from the requirement that an application for a neighborhood enterprise zone (NEZ) certificate be filed with the clerk of the local governmental unit before a building permit is issued, for the construction of a new facility in an NEZ designated by the local unit in September 2001, if a building permit for the facility had been issued on March 3, 2003.

Under the Act, qualified local units of government may designate one or more areas as NEZs and issue NEZ certificates to the owner or developer or the prospective owner or developer of housing to be constructed or rehabilitated. An NEZ certificate exempts the housing from the regular property tax and subjects it instead 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; for rehabilitated housing, the rate is the same that was imposed before renovations were made. An application for a certificate must be filed before a building permit is issued, although the Act contains several exceptions to this requirement. As described above, the bill would create another exception.

The Act defines "new facility" as a new structure or a portion of a new structure whose primary purpose is residential housing consisting of one or two units, one of which is or will be occupied by the owner as his or her principal residence.

MCL 207.774

Legislative Analyst: J.P. Finet

### **FISCAL IMPACT**

The bill would reduce State and local property tax revenues and increase State School Aid Fund expenditures. The area affected by the bill reportedly includes approximately 23 homes, and the bill would reduce the number of mills levied on the property from approximately 67 mills to 17 mills. Assuming that the average value of each affected property is \$200,000, the bill would reduce property tax revenue by approximately \$115,000, of which slightly more than \$10,000 would be a reduction in revenue to the School Aid Fund.

The bill would reduce property taxes to local school districts by approximately \$52,000. Because the School Aid Fund ensures that the combination of State aid and locally raised revenue reaches a given per pupil level, reductions in local school district property tax revenue are offset by increased School Aid Fund expenditures. As a result, the bill also would increase State School Aid Fund expenditures by approximately \$52,000.

This estimate 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.