

# Legislative Analysis

---



## NEZ EXCEPTION

Mitchell Bean, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

### Senate Bill 1047

Sponsor: Sen. Raymond E. Basham

House Committee: Commerce

Senate Committee: Commerce and Labor

Complete to 5-30-06

## A SUMMARY OF SENATE BILL 1047 AS PASSED BY THE SENATE 3-7-06

The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in certain "distressed" urban communities. The act offers reduced property taxes to residential property owners in certain zones designated by eligible local units of government (known as core communities). Generally speaking, owners of new construction pay taxes at the rate of one-half the statewide average property tax rate, and owners of rehabilitated housing pay taxes based on the value of residential property prior to rehabilitation. The abatement applies to structures and not to land. Property owners who obtain a neighborhood enterprise zone certificate are exempt from standard property taxes and pay a specific tax instead known as the neighborhood enterprise zone tax. The abatements are available from 6 to 15 years. Generally, the act requires an application for a certificate to be filed before a building permit is issued for the new construction or rehabilitation of the facility, but there are a number of exceptions to this requirement.

Senate Bill 1047 would amend the Neighborhood Enterprise Zone Act to add a new exception. It would allow an application for a NEZ certificate to be filed after a building permit was issued for the construction of a facility when the area in which the facility was located was designated as a neighborhood enterprise zone by the governing body of the local governmental unit in July 2003 and the building permit issued in June 2004.

MCL 207.774

## FISCAL IMPACT:

The bill would reduce both state and local revenue and increase State School Aid Fund expenditures. According to information from the Senate Fiscal Agency, the bill would apply to a development in Ecorse and would likely reduce state education tax revenue to the School Aid Fund by approximately \$35,000 per year and local unit revenue by approximately \$365,000 per year. Approximately \$56,000 per year of the reduced revenue to local units would affect tax revenue for school operating purposes and would be offset by increased spending from the School Aid Fund in order to maintain per-pupil funding guarantees.

Legislative Analyst: Chris Couch  
Fiscal Analyst: Richard Child

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.