

Legislative Analysis



NEZ EXCEPTION

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

House Bill 5947

Sponsor: Rep. Lamar Lemmons, III

Committee: Commerce

Complete to 6-5-06

A SUMMARY OF HOUSE BILL 5947 AS INTRODUCED 4-18-06

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.

House Bill 5947 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 for a new or rehabilitated facility if the area where the facility is located was designated as a neighborhood zone by the local unit in February 2004 and if the building permit for the facility was issued in August 2003 or January 2005.

MCL 207.774

FISCAL IMPACT:

There is a potential, but indeterminate, loss of state and local property tax revenue, because this bill appears to provide eligibility to at least one additional and specific facility. In addition, State School Aid Fund (SAF) expenditures will need to increase to replace lost tax revenue for school operating purposes to maintain per-pupil funding guarantees. When the identity of this facility is known, estimates of the lost revenue and resulting increase in SAF expenditures may be calculated.

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.