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Senate Bill 1047 (as introduced 2-16-06)
Sponsor: Senator Raymond E. Basham
Committee: Commerce and Labor

Date Completed: 2-23-06

CONTENT

The bill would amend the Neighborhood Enterprise Zone (NEZ) Act to allow an application for a NEZ certificate to be filed after a building permit was issued in a specific circumstance.

Under the Act, an owner or developer of new or rehabilitated housing located in a NEZ may file an application for a NEZ certificate with the clerk of the local unit. A certificate entitles the owner or developer to reduced taxes on the structure. 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 it also includes circumstances under which an application may be filed after a building permit has been issued. The bill would add to those circumstances.

Under the bill, an application could be filed after a building permit was issued for the construction of a facility if all of the following were met:

- The area in which the facility was located was designated as a NEZ by the governing body of the local governmental unit in August 2003.
- The building permit for that facility was issued in June 2004.
- The application for the certificate for that facility was filed with the local governmental unit in October 2004.

MCL 207.774

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce both State and local revenue and increase State School Aid Fund expenditures. Property covered by a NEZ certificate is eligible for reduced taxes on the structure, with the amount of the reduction depending whether the facility is a new facility or rehabilitated. Based on information regarding the property likely to be affected by the bill (a development in Ecorse), the bill 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.

This analysis 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.