



Senate Fiscal Agency
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BILL ANALYSIS

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House Bills 4916 and 4917 (as reported without amendment)
Sponsor: Representative Jerry O. Kooiman (H.B. 4916)
Representative Steve Tobocman (H.B. 4917)
House Committee: Local Government and Urban Policy
Senate Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 9-19-05

RATIONALE

In order to receive a tax exemption under the Michigan Renaissance Zone Act, the owner of residential rental property located in a renaissance zone must meet various conditions, which include annually filing an affidavit that the property is in substantial compliance with all applicable State and local zoning, building, and housing laws. Apparently, some residential rental property owners have failed to file their annual affidavit and lost the tax benefits of owning property in a zone for that year despite their continued compliance with the laws. Some people believe that residential rental property owners should not be required to file an affidavit of compliance each year if the property is in substantial compliance with State and local zoning, building, and housing laws.

CONTENT

House Bills 4916 and 4917 would amend the Michigan Renaissance Zone Act and the General Property Tax Act, respectively, to exempt the owner of residential rental property located in a renaissance zone from having to file an affidavit that the property is in substantial compliance with all applicable State and local zoning, building, and housing laws, if the property was in compliance on December 31 of the immediately preceding tax year.

House Bill 4916

Under the Michigan Renaissance Zone Act, an individual who is a resident of a

renaissance zone, a business that is located and conducts business activity within a renaissance zone, or a person who owns property located in a zone is not eligible for a tax exemption, deduction, or credit under the Act for a taxable year if certain conditions apply. For residential rental property in a renaissance zone, one of the conditions is that the property is not in substantial compliance with all applicable State and local zoning, building, and housing laws, ordinances, or codes, and the residential rental property owner has not filed an affidavit before December 31 in the immediately preceding tax year with the local tax collecting unit in which the property is located under the General Property Tax Act.

Under the bill, beginning December 31, 2004, a residential rental property owner would not be required to file an affidavit if the qualified local governmental unit in which the property was located determined that it was in substantial compliance with all applicable State and local zoning, building, and housing laws, ordinances, and codes on December 31 of the immediately preceding tax year.

House Bill 4917

Under the General Property Tax Act, subject to certain exemptions and limitations, real property and personal property located in a renaissance zone is exempt from taxes collected under the Act to the extent and for the duration provided in the Michigan Renaissance Zone Act. For residential rental property in a renaissance zone, the

exemption is available only if that property is in substantial compliance with all applicable State and local zoning, building, and housing laws, ordinances, or codes and the property owner files an affidavit before December 31 in the immediately preceding tax year with the treasurer of the local tax collecting unit in which the property is located stating that it is in substantial compliance with all applicable State and local zoning, building, and housing laws, ordinances, or codes.

Under the bill, the exemption also would be available, beginning December 31, 2004, if the qualified local governmental unit in which the residential rental property was located determined that the property was in substantial compliance with all applicable State and local zoning, building, and housing laws, ordinances, and codes on tax day. If the local governmental unit made that determination, the property owner would not be required to file an affidavit.

(Under the Act, the taxable status of persons and real and personal property for a tax year must be determined as of each December 31 of the immediately preceding year, which is considered the tax day, any provisions in the charter of any city or village to the contrary notwithstanding.)

MCL 125.2690 (H.B. 4916)
211.7ff (H.B. 4917)

BACKGROUND

The Michigan Renaissance Zone Act was enacted in 1996 to encourage commercial, industrial, and residential improvements in economically distressed areas in the State. The Act provides for the designation of renaissance zones in qualified local governmental units. Renaissance zones are geographic areas that are virtually tax-free for any business or resident located in or moving into one of the zones. They do not pay the following:

- The single business tax.
- The 6-mill State education tax.
- Local personal property tax.
- Local real property tax.
- Local income tax.
- Utility users tax (levied in Detroit only).

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Reportedly, some owners of residential rental housing have lost the tax benefits they enjoyed as a result of the property's location in a renaissance zone after the owners failed to file the required annual affidavit of substantial compliance as required by the Michigan Renaissance Zone Act and the General Property Tax Act. Apparently, the failure to file was an oversight and those property owners lost the substantial tax breaks they received despite the fact that the property continued to comply with State and local zoning, building, and housing laws. The bill would allow those property owners to forego the filing of the annual affidavit and still receive the tax benefits of the renaissance zone as long as the property was in substantial compliance with the housing laws.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

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.