

Legislative Analysis



ADDITIONAL NEZ EXCEPTION

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House Bill 5101

Sponsor: Rep. Barbara Farrah

Committee: Commerce

Complete to 8-30-07

A SUMMARY OF HOUSE BILL 5101 AS INTRODUCED 8-8-07

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 a number of exceptions to this requirement have been added to the statute since its enactment.

House Bill 5101 would amend the Neighborhood Enterprise Zone Act (MCL 207.774) to add a new exception. It would allow an application for a NEZ certificate to be filed after a building permit for the construction of a facility if the area in which the facility is located was designated as a neighborhood enterprise zone by the governing body of a local governmental unit in June 2007 and if the building permit was issued for that facility after November 30, 2004 and before November 1, 2006.

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.

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