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BILL ANALYSIS

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House Bill 5101 (as reported without amendment)

Sponsor: Representative Barbara Farrah

House Committee: Commerce

Senate Committee: Commerce and Tourism

### **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, the owner of a homestead facility, the owner or developer of a proposed new facility, or an owner or developer wishing to rehabilitate property 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. Unless the property is a homestead facility, 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 the Act also describes 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 the area in which the facility was located had been designated as a NEZ by the governing body of the local governmental unit in June 2007 and the building permit for that facility had been issued after November 30, 2004, and before November 1, 2006.

MCL 207.774

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would reduce State and local property tax revenue and increase State School Aid Fund expenditures by an unknown amount. The actual amount of the reduction would depend upon the specific characteristics of the property affected by the bill. Any reduction in local unit revenue from levies attributable to school operating purposes would increase School Aid Fund expenditures in order to maintain guaranteed per-pupil funding amounts.

Reportedly, the bill would affect property located in the City of Wyandotte with a total taxable value of approximately \$6.3 million. Presumably, the property does not meet the definition of homestead facility under the Act, thus requiring the proposed changes. If the property does not qualify as a homestead facility under the Act, the bill would reduce the property tax levy to 50% of the statewide average levy on property that qualifies as a principal residence. The statewide levy on principal residence property is approximately 32.6 mills, compared with an average homestead levy in Wyandotte of approximately 48.3 mills. As a result, the bill would reduce property tax revenue from the affected property by approximately \$202,000, of which approximately \$12,500 would be State education tax revenue and \$56,700 would be revenue for local school operating purposes.

Date Completed: 12-4-07

Fiscal Analyst: David Zin