

Legislative Analysis



NEZ EXCEPTION

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House Bill 4045 without amendment

Sponsor: Rep. Bettie Cook Scott

Committee: Urban Policy

Complete to 2-24-09

A SUMMARY OF HOUSE BILL 4045 AS REPORTED FROM COMMITTEE ON 2-24-09

The bill would amend the Neighborhood Enterprise Zone Act so that a property tax abatement could be awarded for an exceptional case.

Generally, the act requires an application for a NEZ certificate (for an abatement) 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 4045 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 had been issued for the construction of a new 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 on July 1, 2005 and if the building permit was issued for that facility after April 5, 2006 and before May 1, 2007. The bill is understood to apply to a residential area in Detroit where abatements were anticipated by the developer and property owners but have not become available because the NEZ procedure was not followed properly.

[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 instead pay a specific tax known as the neighborhood enterprise zone tax. The abatements are available from 6 to 15 years.]

FISCAL IMPACT:

The bill would potentially reduce state and local property tax revenue by an indeterminate amount by granting eligibility to an additional specific facility. State School Aid Fund (SAF) expenditures would increase by an unknown amount to replace

lost tax revenue for school operating purposes in order to maintain guaranteed per-pupil funding amounts. The actual amount of reduction in tax revenues and the resulting increase in SAF expenditures would depend upon the characteristics of the specific affected property.

POSITIONS:

The Department of Treasury supports the bill. (2-24-09)

Homeowners in Morgan Waterfront Estates in Detroit testified in support of the bill. (2-24-09)

Legislative Analyst: E. Best
Fiscal Analyst: Viola Bay Wild

■ 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.