

Legislative Analysis



ALLOW A BORDER CROSSING RENAISSANCE ZONE AND A NEW NEIGHBORHOOD RENAISSANCE ZONE

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House Bills 4723 & 4725

Sponsor: Rep. John Espinoza

Committee: Commerce

Complete to 5-5-09

A SUMMARY OF HOUSE BILLS 4723 AND 4725 AS INTRODUCED 3-31-09

House Bill 4723 would authorize the creation of a new renaissance zone -- a Border Crossing Zone. It would be located in a city with a population between 30,000 and 36,000 that contains an international border crossing or in an adjoining township, or in both the city and township. The bill would amend the Renaissance Zone Act (MCL 125.2688a).

A border crossing zone would have a duration of up to 20 years, with the duration to be determined by the Michigan Strategic Fund. The zone could contain up to five distinct geographic areas in the city and township, as determined by the MSF. The bill appears to apply to the Port Huron area.

House Bill 4725 would amend the Neighborhood Enterprise Zone Act (MCL 207.772). It appears to allow the same communities to create a neighborhood enterprise zone. It would expand eligibility to participate in the neighborhood enterprise zone program to a township adjoining a city with a population between 30,000 and 36,000 that contains an international border crossing. (Core cities are already eligible.)

FISCAL IMPACT:

House Bill 4723: **Renaissance zones** grant virtually tax-free status to the businesses or residents in them. Businesses in renaissance zones are exempt from the Michigan business tax (MBT), the six-mill state education tax, local real and personal property taxes, specific taxes levied in lieu of property taxes, and (in Detroit) the utility users tax, as well as state and city income taxes. The state government is required under the act to reimburse the School Aid Fund for lost revenues, as well as local and intermediate school districts, community colleges, and public libraries.

House Bill 4725: 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.

(**Neighborhood enterprise zones** offer reduced property taxes to residential property owners in zones designated by eligible local units of government (known as "core communities"), with the approval of the State Tax Commission. Owners of new construction generally pay taxes at the rate of one-half the statewide average property tax rate, while owners of rehabilitated housing pay taxes based on the value of residential property prior to rehabilitation. Owners of homestead facilities receive an abatement of one-half of property taxes that otherwise would be paid to the local unit of government and the county.)

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