

Legislative Analysis



NEIGHBORHOOD ENTERPRISE ZONE EXCEPTION

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House Bill 4986 (Substitute H-2)

Sponsor: Rep. Coleman Young

1st Committee: Tax Policy

2nd Committee: Commerce

Complete to 2-17-10-

A SUMMARY OF HOUSE BILL 4986 AS REPORTED FROM COMMITTEE

The bill would amend the Neighborhood Enterprise Zone Act (MCL 207.774) to allow a property tax abatement to be awarded for two exceptional cases.

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.

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. Typically, these exceptions apply in cases where the "spirit" of the law has been met but not the "letter" of the law, due to procedural errors.

House Bill 4986 would amend the Neighborhood Enterprise Zone Act to add two new exceptions (both of which apply to residential neighborhoods in the city of Detroit).

****** 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 in May 1996 and if the building permit was issued for that facility after December 24, 2004 and before January 22, 2005.

****** It would allow an application for an 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 local governing body in April 2003 and if the building permit was issued for that facility in April 2008 or September 2008.

MCL 207.774

FISCAL IMPACT:

The bill would potentially reduce state and local property tax revenue by an indeterminate amount by granting eligibility to additional specific facilities. 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.

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