

Legislative Analysis



DURATION OF HISTORIC NEZ CERTIFICATES

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House Bill 5495

Sponsor: Rep. Joan Bauer

Committee: Intergovernmental and Regional Affairs

Complete to 12-7-09

A SUMMARY OF HOUSE BILL 5495 AS INTRODUCED 10-1-09

The bill would amend the Neighborhood Enterprise Zone Act (MCL 207.782), which provides property tax reductions to stimulate the development and rehabilitation of residential housing in eligible communities. Currently under the act, a neighborhood enterprise zone certificate for a rehabilitated facility that constitutes all or a portion of a **qualified historic building** remains in effect for 11 to 17 years. House Bill 5495 specifies that such a certificate would remain in effect for 17 years.

Further, the law stipulates that if such a rehabilitated historic facility is not transferred or sold to someone who will own and occupy the facility as a principal residence within six years, the neighborhood enterprise zone certificate is revoked. House Bill 5495 would extend this deadline for revocation of the certificate, increasing the number of years from 6 years to 12 years.

Note: A NEZ certificate holder pays a specific tax known as the Neighborhood Enterprise Zone Tax instead of standard property taxes. Owners of rehabilitated housing pay taxes based on the value of residential property prior to rehabilitation. (Owners of new construction pay taxes at the rate of one-half the statewide average property tax rate, and owners of homestead property pay taxes equal to one-half the rate of local and county taxes and pay the full rate for other taxes, including schools.) The abatement applies to structures and not to land. For further information about NEZ certificates see: http://www.michigan.gov/documents/taxes/NEZ_FAQ_276616_7.pdf

FISCAL IMPACT:

The bill would potentially reduce state and local property tax revenue by an indeterminate amount by extending eligibility for NEZ abatements. The state reimburses local units for lost school operating taxes. The actual amount of reduction in tax revenues and cost to the state would depend upon the characteristics of the property affected by the bill.

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