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BILL



ANALYSIS

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House Bill 4986 (Substitute H-3 as passed by the House)  
Sponsor: Representative Coleman Young  
First House Committee: Tax Policy  
Second House Committee: Commerce  
Senate Committee: Commerce and Tourism

Date Completed: 5-18-10

### **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 two specific circumstances, and revise the calculation for the NEZ tax in one of those instances by including the full amount of taxation levied for school operating purposes.**

#### **Exception to Building Permit Requirement**

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 new facility under either of the following circumstances:

- The area in which the new facility is located was designated as a NEZ by the governing body of the local unit in May 1996 and the building permit was issued for that facility after December 24, 2004, and before January 22, 2005.
- The area in which the new facility is located was designated as a NEZ by the governing body of the local unit in April 2003 and the building permit was issued for that facility in April 2008 or September 2008.

#### **Revised Tax Calculation**

Under the Act, for property that otherwise would meet the definition of a principal residence under the General Property Tax Act if that property were not exempt from ad valorem property taxes under the NEZ Act, the amount of the NEZ tax on a new facility is determined each year by multiplying the taxable value of the facility, not including the land, by 50% of the average rate of taxation levied in Michigan in the preceding calendar year on a principal residence and qualified agricultural property.

For a new facility located in a neighborhood enterprise zone designated in April 2003 for which a building permit was issued in April 2008 or September 2008, as allowed under the bill, the 50% multiplier would apply to the average rate of taxation levied in the preceding year on a principal residence and qualified agricultural property excluding the rate of taxation levied for school operating purposes, and the NEZ tax would include the taxable value of the facility multiplied by the rate of taxation levied for school operating purposes. ("Taxation levied for school operating purposes" would include taxes levied under the State Education Tax Act and Section 1211 of the Revised School Code (MCL 380.1211).)

MCL 207.774 & 207.779

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill, by allowing two additional exemptions in neighborhood enterprise zones, would potentially result in a loss of State and local property taxes. The potential loss would depend on the number of property owners and the value of the property eligible under the bill. The potential revenue loss would affect local property taxes where neighborhood enterprise zones are located as well as State property taxes via the State Education Tax. The State also would incur a potential liability to reimburse the State School Aid Fund for any losses due to reductions in the State Education Tax.

Fiscal Analyst: Eric Scorsone

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.