



Telephone: (517) 373-5383 Fax: (517) 373-1986 TDD: (517) 373-0543

House Bill 5495 (Substitute H-2 as passed by the House)

Sponsor: Representative Joan Bauer

House Committee: Intergovernmental and Regional Affairs

Senate Committee: Local, Urban and State Affairs

Date Completed: 3-8-10

CONTENT

The bill would amend the Neighborhood Enterprise Zone Act to require a qualified historic building to be transferred or sold to a homeowner-occupant within 12 years, rather than six years, after a neighborhood enterprise zone certificate (NEZ) takes effect.

The Act allows eligible local governmental units to designate neighborhood enterprise zones, within which the owner or developer of property may receive a NEZ certificate that exempts new or rehabilitated housing from the property tax and subjects it, instead, to a specific NEZ tax. As a rule, if a NEZ certificate is issued for a rehabilitated facility that consists entirely or partly of a qualified historic building, the certificate remains in effect for 11 to 17 years from its effective date, as determined by the governing body of the local unit. The NEZ certificate will be revoked, however, if the rehabilitated facility is not transferred or sold to a person who will own and occupy it as his or her principal residence within six years of the effective date of the certificate.

Under the bill, the facility would have to be transferred or sold to an owner-occupant within 12 years after the effective date of the NEZ certificate.

(A "rehabilitated facility" is an existing structure with a current true cash value of \$80,000 or less per unit whose primary purpose is residential housing, consisting of one to eight units, and whose owner proposes improvements that cost over certain amounts per unit and will bring the structure into conformance with minimum local building code standards for occupancy or improve the livability of the units while meeting minimum local building code standards.

"Qualified historic building" means property within a NEZ that has been designated a historic resource as defined in Section 266 of the Income Tax Act. That section provides for an income tax credit for certain expenditures associated with the rehabilitation of a historic resource, which includes a historic building that is located within a historic district designated by the National Register of Historic Places, the State Register of Historic Sites, or a local unit acting under the Local Historic Districts Act, or that is individually listed on the State or National Register.)

MCL 207.782 Legislative Analyst: Suzanne Lowe

Page 1 of 2 hb5495/0910

FISCAL IMPACT

The bill would reduce both State and local property tax revenue, and increase State expenditures, by an unknown amount. The magnitude of any impact would depend on the specific characteristics of the property affected by the bill. School Aid Fund expenditures would increase in order to maintain per-pupil funding guarantees. According to estimates from the Michigan Department of Treasury, neighborhood enterprise zones are expected to reduce State and local property tax revenue by approximately \$19.5 million during FY 2009-10.

Fiscal Analyst: David Zin

S0910\s5495sa

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.