

**SUBSTITUTE FOR  
HOUSE BILL NO. 4986**

A bill to amend 1992 PA 147, entitled  
"Neighborhood enterprise zone act,"  
by amending sections 4 and 9 (MCL 207.774 and 207.779), section 4  
as amended by 2009 PA 16 and section 9 as amended by 2005 PA 340.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 4. (1) The owner of a homestead facility or owner or  
2       developer or prospective owner or developer of a proposed new  
3       facility or an owner or developer or prospective developer  
4       proposing to rehabilitate property located in a neighborhood  
5       enterprise zone may file an application for a neighborhood  
6       enterprise zone certificate with the clerk of the local  
7       governmental unit. The application shall be filed in the manner and  
8       form prescribed by the commission. The clerk of the local  
9       governmental unit shall provide a copy of each homestead facility

1 application to the assessor for the local governmental unit. Except  
2 as provided in subsection (2) or as otherwise provided by the local  
3 governmental unit by resolution if the application is filed not  
4 later than 6 months following the date the building permit is  
5 issued, the application shall be filed before a building permit is  
6 issued for the new construction or rehabilitation of the facility.

7 (2) An application may be filed after a building permit is  
8 issued only if 1 or more of the following apply:

9 (a) For the rehabilitation of a facility if the area in which  
10 the facility is located is designated as a neighborhood enterprise  
11 zone by the governing body of the local governmental unit in the  
12 calendar year 1992 and if the building permit is issued for the  
13 rehabilitation before December 31, 1994 and after the date on which  
14 the area in which the facility is located was designated as a  
15 neighborhood enterprise zone by the governing body of the local  
16 governmental unit.

17 (b) For the construction of a new facility if the area in  
18 which the new facility is located is designated as a neighborhood  
19 enterprise zone by the governing body of the local governmental  
20 unit in calendar year 1992 or 1993 and if the building permit is  
21 issued for that new facility before December 31, 1995 and after  
22 January 1, 1993.

23 (c) For the construction of a new facility if the area in  
24 which the new facility is located is designated as a neighborhood  
25 enterprise zone by the governing body of the local governmental  
26 unit in July 1997 and if the building permit is issued for that new  
27 facility on February 3, 1998.

1 (d) For a new facility or a rehabilitated facility if the area  
2 in which the new facility or rehabilitated facility is located was  
3 designated as a neighborhood enterprise zone by the governing body  
4 of the local governmental unit in July 1996 and if the building  
5 permit was issued for that facility on or before July 3, 2001.

6 (e) For a new facility or a rehabilitated facility if the area  
7 in which the new facility or rehabilitated facility is located was  
8 designated as a neighborhood enterprise zone by the governing body  
9 of the local governmental unit in October 1994 and if the building  
10 permit was issued for that facility on or before April 25, 1997.

11 (f) For the construction of a new facility if the area in  
12 which the new facility is located is designated as a neighborhood  
13 enterprise zone by the governing body of the local governmental  
14 unit in September 2001 and if the building permit is issued for  
15 that new facility on March 3, 2003.

16 (g) For a rehabilitated facility if all or a portion of the  
17 rehabilitated facility is a qualified historic building.

18 (h) For the construction of a new facility if the area in  
19 which the new facility is located is designated as a neighborhood  
20 enterprise zone by the governing body of the local governmental  
21 unit in July 1993 and the new facility was a model home.

22 (i) For the construction of a new facility if the area in  
23 which the new facility is located is designated as a neighborhood  
24 enterprise zone by the governing body of the local governmental  
25 unit in August 2004 and if building permits were issued for that  
26 facility beginning November 5, 2002 through December 23, 2003.

27 (j) For a homestead facility.

1 (k) For the construction of a facility if the area in which  
2 the facility is located was designated as a neighborhood enterprise  
3 zone by the governing body of the local governmental unit in July  
4 2003, and if the building permit was issued for that facility in  
5 June 2004.

6 (l) For a new facility or a rehabilitated facility if the area  
7 in which the new facility or rehabilitated facility is located was  
8 designated as a neighborhood zone by the governing body of the  
9 local governmental unit in February 2004 and if the building permit  
10 for that facility was issued in August 2003 or January 2005.

11 (m) For the construction of a facility if the area in which  
12 the facility is located was designated as a neighborhood enterprise  
13 zone by the governing body of the local governmental unit in June  
14 2007 and if the building permit was issued for that facility after  
15 November 30, 2004 and before November 1, 2006.

16 (n) For the construction of a facility if the area in which  
17 the facility is located was designated as a neighborhood enterprise  
18 zone by the governing body of the local governmental unit on July  
19 1, 2005 and if the building permit was issued for that facility  
20 after April 5, 2006 and before May 1, 2007.

21 (O) FOR THE CONSTRUCTION OF A NEW FACILITY IF THE AREA IN  
22 WHICH THE NEW FACILITY IS LOCATED IS DESIGNATED AS A NEIGHBORHOOD  
23 ENTERPRISE ZONE BY THE GOVERNING BODY OF THE LOCAL GOVERNMENTAL  
24 UNIT IN MAY 1996 AND IF THE BUILDING PERMIT WAS ISSUED FOR THAT  
25 FACILITY AFTER DECEMBER 24, 2004 AND BEFORE JANUARY 22, 2005.

26 (P) FOR THE CONSTRUCTION OF A NEW FACILITY IF THE AREA IN  
27 WHICH THE NEW FACILITY IS LOCATED IS DESIGNATED AS A NEIGHBORHOOD

1 ENTERPRISE ZONE BY THE GOVERNING BODY OF THE LOCAL GOVERNMENTAL  
2 UNIT IN APRIL 2003 AND IF THE BUILDING PERMIT WAS ISSUED FOR THAT  
3 FACILITY IN APRIL 2008 OR SEPTEMBER 2008.

4 (3) The application shall contain or be accompanied by all of  
5 the following:

6 (a) A general description of the homestead facility, new  
7 facility, or proposed rehabilitated facility.

8 (b) The dimensions of the parcel on which the homestead  
9 facility, new facility, or proposed rehabilitated facility is or is  
10 to be located.

11 (c) The general nature and extent of the construction to be  
12 undertaken.

13 (d) A time schedule for undertaking and completing the  
14 rehabilitation of property or the construction of the new facility.

15 (e) A statement by the owner of a homestead facility that the  
16 owner is committed to investing a minimum of \$500.00 in the first 3  
17 years that the certificate for a homestead facility is in effect  
18 and committed to documenting the minimum investment if required to  
19 do so by the assessor of the local governmental unit.

20 (f) Any other information required by the local governmental  
21 unit.

22 (4) Notwithstanding any other provisions of this act, for any  
23 certificate issued as a result of the enactment of the amendatory  
24 act that added subsection (2)(c), the effective date of the  
25 certificate shall be the first day of the tax year following the  
26 year the certificate is approved by the commission.

27 (5) Notwithstanding any other provisions of this act, for any

1 certificate issued as a result of the enactment of the amendatory  
2 act that added subsection (2)(d) or the amendatory act that added  
3 subsection (2)(e), the effective date of the certificate shall be  
4 January 1, 2001.

5 (6) Notwithstanding any other provisions of this act, for any  
6 certificate issued as a result of the enactment of the amendatory  
7 act that added subsection (2)(j) or the amendatory act that added  
8 subsection (2)(k), the effective date of the certificate shall be  
9 the first day of the tax year following the year the certificate is  
10 approved by the qualified assessing authority.

11 (7) For a certificate issued as a result of the amendatory act  
12 that added subsection (2)(e), both of the following shall apply not  
13 withstanding any other provision of this act:

14 (a) The effective date of the certificate shall be January 1,  
15 2001 and the taxable value for rehabilitated facilities shall be  
16 set as provided in section 10(3).

17 (b) For certificates issued or reissued after December 31,  
18 2005, the amount of the neighborhood enterprise zone tax on a  
19 rehabilitated facility is determined each year by multiplying the  
20 taxable value of the rehabilitated facility, not including the  
21 land, as of December 31 of the year prior to the start of the  
22 improvement as described in subsection (3) by the total mills  
23 collected under the general property tax act, 1893 PA 206, MCL  
24 211.1 to 211.155, for the current year by all taxing units within  
25 which the rehabilitated facility is located.

26 (8) For any certificate issued as result of the amendatory act  
27 that added subsection (2)(l), notwithstanding any other provision of

1 this act the amount of the neighborhood enterprise zone tax on a  
2 rehabilitated facility is determined each year by multiplying the  
3 taxable value of the rehabilitated facility, not including the  
4 land, as of December 31 of the year prior to the start of the  
5 improvement as described in subsection (3) by the total mills  
6 collected under the general property tax act, 1893 PA 206, MCL  
7 211.1 to 211.155, for the current year by all taxing units within  
8 which the rehabilitated facility is located.

9 (9) If a new facility is completed in a neighborhood  
10 enterprise zone approved in October 1996 and a building permit was  
11 issued in March 1998 but a neighborhood enterprise zone certificate  
12 was not applied for by the original owner occupying the facility as  
13 a principal residence, a subsequent owner occupying the new  
14 facility as a principal residence can request and, notwithstanding  
15 any other provision of this act, effective December 31 of the year  
16 preceding the application, be granted a neighborhood enterprise  
17 zone certificate for the remainder of the term, not to exceed 12  
18 years, that a neighborhood enterprise zone certificate would have  
19 been in effect for the original owner of the new facility.

20 Sec. 9. (1) Except as provided in subsection (14), there is  
21 levied on the owner of a homestead facility, a new facility, or a  
22 rehabilitated facility to which a neighborhood enterprise zone  
23 certificate is issued a specific tax known as the neighborhood  
24 enterprise zone tax.

25 (2) A homestead facility, a new facility, or a rehabilitated  
26 facility for which a neighborhood enterprise zone certificate is in  
27 effect, but not the land on which the facility is located, is

1 exempt from ad valorem real property taxes collected under the  
2 general property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~  
3 **211.155.**

4 (3) Except as otherwise provided in this section, the amount  
5 of the neighborhood enterprise zone tax on a new facility is  
6 determined each year by multiplying the taxable value of the  
7 facility, not including the land, by 1 of the following:

8 (a) For property that would otherwise meet the definition of a  
9 principal residence under section 7dd of the general property tax  
10 act, 1893 PA 206, MCL 211.7dd, if that property was not exempt from  
11 ad valorem property taxes under this act, 1/2 of the average rate  
12 of taxation levied in this state in the immediately preceding  
13 calendar year on a principal residence and qualified agricultural  
14 property as defined in section 7dd of the general property tax act,  
15 1893 PA 206, MCL 211.7dd. However, in 1994 only, the average rate  
16 of taxation shall be the average rate of taxation levied in 1993  
17 upon all property in this state upon which ad valorem taxes are  
18 assessed.

19 (b) For property that is not a principal residence under  
20 section 7dd of the general property tax act, 1893 PA 206, MCL  
21 211.7dd, 1/2 of the average rate of taxation levied upon  
22 commercial, industrial, and utility property upon which ad valorem  
23 taxes are assessed as determined for the immediately preceding  
24 calendar year by the state board of assessors under section 13 of  
25 1905 PA 282, MCL 207.13. However, in 1994 only, the average rate of  
26 taxation shall be the average rate of taxation levied in 1993 upon  
27 all property in this state upon which ad valorem taxes are

1 assessed.

2 (C) FOR PROPERTY DESCRIBED IN SECTION 4(2)(P) THAT WOULD  
3 OTHERWISE MEET THE DEFINITION OF A PRINCIPAL RESIDENCE UNDER  
4 SECTION 7DD OF THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL  
5 211.7DD, IF THAT PROPERTY WAS NOT EXEMPT FROM AD VALOREM PROPERTY  
6 TAXES UNDER THIS ACT, 1/2 OF THE AVERAGE RATE OF TAXATION LEVIED IN  
7 THIS STATE IN THE IMMEDIATELY PRECEDING CALENDAR YEAR ON A  
8 PRINCIPAL RESIDENCE AND QUALIFIED AGRICULTURAL PROPERTY AS DEFINED  
9 IN SECTION 7DD OF THE GENERAL PROPERTY TAX ACT, 1893 PA 206, MCL  
10 211.7DD, EXCLUDING THE RATE OF TAXATION LEVIED FOR SCHOOL OPERATING  
11 PURPOSES, PLUS THE RATE OF TAXATION LEVIED FOR SCHOOL OPERATING  
12 PURPOSES. AS USED IN THIS SUBDIVISION, "TAXATION LEVIED FOR SCHOOL  
13 OPERATING PURPOSES" MEANS TAXES LEVIED UNDER THE FOLLOWING:

14 (i) THE STATE EDUCATION TAX ACT, 1993 PA 331, MCL 211.901 TO  
15 211.906.

16 (ii) SECTION 1211 OF THE REVISED SCHOOL CODE, 1976 PA 451, MCL  
17 380.1211.

18 (4) Except as otherwise provided in this section, the amount  
19 of the neighborhood enterprise zone tax on a rehabilitated facility  
20 is determined each year by multiplying the taxable value of the  
21 rehabilitated facility, not including the land, for the tax year  
22 immediately preceding the effective date of the neighborhood  
23 enterprise zone certificate by the total mills collected under the  
24 general property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~  
25 211.155, for the current year by all taxing units within which the  
26 rehabilitated facility is located.

27 (5) Except as otherwise provided in this section, the amount

1 of the neighborhood enterprise zone tax on a homestead facility is  
2 the sum of all the following:

3 (a) One-half the number of mills levied for operating purposes  
4 by the local governmental unit in which the neighborhood enterprise  
5 zone is located multiplied by the current taxable value of the  
6 homestead facility not including the land.

7 (b) One-half the number of mills levied for operating purposes  
8 by the county in which the neighborhood enterprise zone is located  
9 multiplied by the current taxable value of the homestead facility  
10 not including the land.

11 (c) The total number of mills collected under the general  
12 property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~ **211.155**, for  
13 the current year by all taxing jurisdictions within which the  
14 homestead facility is located excluding the number of mills levied  
15 for operating purposes by the local governmental unit and county in  
16 which the homestead facility is located multiplied by the current  
17 taxable value of the homestead facility not including the land.

18 (6) In the year 2 years before the year in which the  
19 neighborhood enterprise zone certificate expires for a homestead  
20 facility, for a new facility or a rehabilitated facility in which  
21 the neighborhood enterprise zone certificate was issued after  
22 December 31, 2005, or for a new facility or a rehabilitated  
23 facility in which the neighborhood enterprise zone certificate was  
24 extended 3 years under section 12(1), the neighborhood enterprise  
25 zone tax is the sum of all the following:

26 (a) Five-eighths the number of mills levied for operating  
27 purposes by the local governmental unit in which the neighborhood

1 enterprise zone is located multiplied by the current taxable value  
2 of the facility not including the land.

3 (b) Five-eighths the number of mills levied for operating  
4 purposes by the county in which the neighborhood enterprise zone is  
5 located multiplied by the current taxable value of the facility not  
6 including the land.

7 (c) The total number of mills collected under the general  
8 property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~ **211.155**, for  
9 the current year by all taxing jurisdictions within which the  
10 facility is located excluding the number of mills levied for  
11 operating purposes by the local governmental unit and county in  
12 which the facility is located multiplied by the current taxable  
13 value of the facility not including the land.

14 (7) In the year before the year in which the neighborhood  
15 enterprise zone certificate expires for a homestead facility, for a  
16 new facility or a rehabilitated facility in which the neighborhood  
17 enterprise zone certificate was issued after December 31, 2005, or  
18 for a new facility or a rehabilitated facility in which the  
19 neighborhood enterprise zone certificate was extended 3 years under  
20 section 12(1), the neighborhood enterprise zone tax is the sum of  
21 all the following:

22 (a) Three-fourths the number of mills levied for operating  
23 purposes by the local governmental unit in which the neighborhood  
24 enterprise zone is located multiplied by the current taxable value  
25 of the facility not including the land.

26 (b) Three-fourths the number of mills levied for operating  
27 purposes by the county in which the neighborhood enterprise zone is

1 located multiplied by the current taxable value of the facility not  
2 including the land.

3 (c) The total number of mills collected under the general  
4 property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~ **211.155**, for  
5 the current year by all taxing jurisdictions within which the  
6 facility is located excluding the number of mills levied for  
7 operating purposes by the local governmental unit and county in  
8 which the facility is located multiplied by the current taxable  
9 value of the facility not including the land.

10 (8) In the year in which the neighborhood enterprise zone  
11 certificate expires for a homestead facility, for a new facility or  
12 a rehabilitated facility in which the neighborhood enterprise zone  
13 certificate was issued after December 31, 2005, or for a new  
14 facility or a rehabilitated facility in which the neighborhood  
15 enterprise zone certificate was extended 3 years under section  
16 12(1), the neighborhood enterprise zone tax is the sum of all the  
17 following:

18 (a) Seven-eighths the number of mills levied for operating  
19 purposes by the local governmental unit in which the neighborhood  
20 enterprise zone is located multiplied by the current taxable value  
21 of the facility not including the land.

22 (b) Seven-eighths the number of mills levied for operating  
23 purposes by the county in which the neighborhood enterprise zone is  
24 located multiplied by the current taxable value of the facility not  
25 including the land.

26 (c) The total number of mills collected under the general  
27 property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~ **211.155**, for

1 the current year by all taxing jurisdictions within which the  
2 facility is located excluding the number of mills levied for  
3 operating purposes by the local governmental unit and county in  
4 which the facility is located multiplied by the current taxable  
5 value of the facility not including the land.

6 (9) The neighborhood enterprise zone tax is an annual tax,  
7 payable at the same times, in the same installments, and to the  
8 same officer or officers as taxes collected under the general  
9 property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~**211.155**, are  
10 payable. Except as otherwise provided in this section, the officer  
11 or officers shall disburse the neighborhood enterprise zone tax  
12 received by the officer or officers each year to the state, cities,  
13 townships, villages, school districts, counties, and authorities at  
14 the same times and in the same proportions as required for the  
15 disbursement of taxes collected under the general property tax act,  
16 1893 PA 206, MCL 211.1 to ~~211.157~~**211.155**. To determine the  
17 proportion for the disbursement of taxes under this subsection and  
18 for attribution of taxes under subsection (11) for taxes collected  
19 after June 30, 1994, the number of mills levied for local school  
20 district operating purposes to be used in the calculation shall  
21 equal the number of mills for local school district operating  
22 purposes levied in 1993 minus the number of mills levied under the  
23 state education tax act, 1993 PA 331, MCL 211.901 to 211.906, for  
24 the year for which the disbursement is calculated. Local tax  
25 collection officers shall disburse the proceeds of the neighborhood  
26 enterprise zone tax collected on homestead facilities under  
27 subsection (5) and on homestead facilities, new facilities, and

1 rehabilitated facilities under subsections (6), (7), and (8) each  
2 year to the state, cities, townships, villages, school districts,  
3 counties, and authorities in an amount equal to the sum of the  
4 proceeds of the neighborhood enterprise zone tax collected on the  
5 facility multiplied by a fraction in which the numerator is the  
6 number of mills levied by the taxing unit that was used to  
7 calculate the specific tax on the facility and the denominator is  
8 the total number of mills levied by all the taxing units that was  
9 used to calculate the specific tax in which the property is  
10 located.

11 (10) An intermediate school district receiving state aid under  
12 sections 56, 62, and 81 of the state school aid act of 1979, 1979  
13 PA 94, MCL 388.1656, 388.1662, and 388.1681, of the amount that  
14 would otherwise be disbursed to or retained by the intermediate  
15 school district, all or a portion, to be determined on the basis of  
16 the tax rates being utilized to compute the amount of state aid,  
17 shall be paid to the state treasury to the credit of the state  
18 school aid fund established by section 11 of article IX of the  
19 state constitution of 1963. If and for the period that the state  
20 school aid act of 1979, 1979 PA 94, MCL 388.1601 to 388.1772, is  
21 amended or its successor act is enacted or amended to include a  
22 provision that provides for adjustments in state school aid to  
23 account for the receipt of revenues provided under this act in  
24 place of exempted ad valorem property tax, revenues required to be  
25 remitted or returned to the state treasury to the credit of the  
26 state school aid fund shall be distributed instead to the  
27 intermediate school districts. If the sum of any industrial

1 facility tax levied under 1974 PA 198, MCL 207.551 to 207.572, the  
2 commercial facilities tax levied under the commercial redevelopment  
3 act, 1978 PA 255, MCL 207.651 to 207.668, and the neighborhood  
4 enterprise zone tax paid to the state treasury to the credit of the  
5 state school aid fund that would otherwise be disbursed to the  
6 intermediate school district exceeds the amount received by the  
7 intermediate school district under sections 56, 62, and 81 of the  
8 state school aid act of 1979, 1979 PA 94, MCL 388.1656, 388.1662,  
9 and 388.1681, the department of treasury shall allocate to each  
10 eligible intermediate school district an amount equal to the  
11 difference between the sum of the industrial facility tax, the  
12 commercial facilities tax, and the neighborhood enterprise zone tax  
13 paid to the state treasury to the credit of the state school aid  
14 fund and the amount the intermediate school district received under  
15 sections 56, 62, and 81 of the state school aid act of 1979, 1979  
16 PA 94, MCL 388.1656, 388.1662, and 388.1681.

17 (11) For neighborhood enterprise zone taxes levied after 1993  
18 for school operating purposes, the amount that would otherwise be  
19 disbursed to a local school district shall be paid instead to the  
20 state treasury and credited to the state school aid fund  
21 established by section 11 of article IX of the state constitution  
22 of 1963.

23 (12) The officer or officers shall send a copy of the amount  
24 of disbursement made to each unit under this section to the  
25 commission on a form provided by the commission. The neighborhood  
26 enterprise zone tax is a lien on the real property upon which the  
27 new facility or rehabilitated facility subject to the certificate

1 is located until paid. The continuance of a certificate is  
2 conditional upon the annual payment of the neighborhood enterprise  
3 zone tax and the ad valorem tax on the land collected under the  
4 general property tax act, 1893 PA 206, MCL 211.1 to ~~211.157~~  
5 **211.155.**

6 (13) If payment of the tax under this act is not made by the  
7 March 1 following the levy of the tax, the tax shall be turned over  
8 to the county treasurer and collected in the same manner as a  
9 delinquent tax under the general property tax act, 1893 PA 206, MCL  
10 211.1 to ~~211.157~~ **211.155.**

11 (14) A homestead facility, a new facility, or a rehabilitated  
12 facility located in a renaissance zone under the Michigan  
13 renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696, is  
14 exempt from the neighborhood enterprise zone tax levied under this  
15 act to the extent and for the duration provided pursuant to the  
16 Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to  
17 125.2696, except for that portion of the neighborhood enterprise  
18 zone tax attributable to a special assessment or a tax described in  
19 section 7ff(2) of the general property tax act, 1893 PA 206, MCL  
20 211.7ff. The neighborhood enterprise zone tax calculated under this  
21 subsection shall be disbursed proportionately to the local taxing  
22 unit or units that levied the special assessment or the tax  
23 described in section 7ff(2) of the general property tax act, 1893  
24 PA 206, MCL 211.7ff.