



Senate Fiscal Agency
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Senate Bill 227 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Virgil Smith
Committee: Economic Development

Date Completed: 8-28-14

CONTENT

The bill would amend the Neighborhood Enterprise Zone (NEZ) Act to revise the definition of "homestead facility".

The Act allows eligible local governmental units to designate neighborhood enterprise zones in which the owner or developer of property may receive a NEZ certificate. Specifically, 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 as prescribed by the State Tax Commission. If approved by the Commission, a certificate entitles the owner or developer to reduced taxes on the structure.

The Act's definition of "homestead facility" includes an existing structure, purchased by or transferred to an owner after December 31, 1996, that has as its primary purpose residential housing consisting of one or two units, one of which is occupied by an owner as his or her principal residence, and that is located within a subdivision platted pursuant to State law before January 1, 1968, other than an existing structure for which a certificate will be or has been issued after December 31, 2006, in a city with a population of 750,000 or more. The bill would delete that exclusion, and would include in the definition an existing structure that has as its primary purpose residential housing, for which a certification will be or has been issued after December 31, 2006, in a city with a population of 600,000 or more, that is located within a subdivision platted pursuant to State law before January 1, 1968. (According to the 2010 U.S. Decennial Census, the City of Detroit's population was 713,777, a decrease from the 2000 Census when the city's population was 951,270.)

MCL 207.772

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would allow the City of Detroit to continue to grant neighborhood enterprise zone certificates for homestead facilities. Such certificates reduce revenue to the granting local unit and the respective county. Out of the 19 cities that participate in the Neighborhood Enterprise Zone program (for new, rehabilitated, and homestead facilities), the revenue foregone is estimated to total \$22.5 million in FY 2013-14.

The bill would have no effect on State revenue or expenditure.

Fiscal Analyst: David Zin

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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.