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BILL ANALYSIS

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House Bill 5567 (Substitute H-1 as passed by the House)
Sponsor: Representative Woodrow Stanley
House Committee: Urban Policy
Senate Committee: Local, Urban and State Affairs

Date Completed: 1-25-10

CONTENT

The bill would amend the Neighborhood Enterprise Zone Act to include in the definition of "homestead facility" structures in neighborhoods platted in 1999 or later, under certain circumstances.

The Act allows eligible local units of government to designate neighborhood enterprise zones (NEZs), in which a homestead facility, new facility, or rehabilitated facility is subject to a specific NEZ tax instead of ad valorem property taxes.

The Act defines "homestead facility" as 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 Detroit).

Under the bill, the term also would include an existing structure 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 that is located in a subdivision platted after January 1, 1999, and is located in a county with a population of at least 400,000 but less than 500,000 (i.e., Genesee County) and in a city with a population of more than 100,000 and less than 125,000 (i.e., Flint) according to the most recent decennial census.

MCL 207.772

BACKGROUND

Under the Neighborhood Enterprise Zone Act, the governing body of a qualified local unit of government may, by resolution, designate neighborhood enterprise zones within the local unit. The owner of a homestead facility, new facility, or rehabilitated facility located in a neighborhood enterprise zone may obtain an NEZ certificate by applying to the clerk of the local unit. The governing body must approve an application by resolution. The qualified assessing authority must determine if the facility complies with the Act's requirements and, if so, issue a certificate.

Except as otherwise provided, there is levied on the owner of a facility to which a certificate is issued a specific tax known as the NEZ tax. A facility for which a certificate is in effect

(but not the land on which the facility is located) is exempt from ad valorem real property taxes. Subject to certain exceptions, the amount of the NEZ tax on a homestead facility is the sum of all of the following:

- One-half the number of mills levied for operating purposes by the local unit multiplied by the current taxable value of the facility (not including the land).
- One-half the number of mills levied for operating purposes by the county multiplied by the current taxable value of the facility (not including the land).
- The total number of mills collected under the General Property Tax Act for the current year by all other taxing jurisdictions within which the facility is located.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have no effect on State revenue or expenditure but would reduce local unit revenue but an unknown amount, by expanding the properties eligible for an exemption certificate as a "homestead facility". The provisions of the bill would only affect property within the City of Flint. The actual amount of the reduction would depend upon the number of certificates granted and the specific characteristics of the properties affected by the bill.

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.