

Legislative Analysis



NEIGHBORHOOD ENTERPRISE ZONE: DETROIT POPULATION REFERENCE

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House Bill 4641

Sponsor: Rep. Jimmy Womack

Committee: Commerce

Complete to 9-26-11

A SUMMARY OF HOUSE BILL 4641 AS INTRODUCED 5-12-11

The Neighborhood Enterprise Zone Act provides for tax abatements to residential property in certain core communities. House Bill 4641 would amend the act to reduce from 750,000 to 500,000 the population criterion for a tax abatement that is available under the act to a particular kind of residence. The provision in question will continue to apply only to the city of Detroit, whose population fell below 750,000 in the most recent decennial census. *Other than the change to the population requirement, the bill makes no substantive change to the act.*

There are three kinds of residential "facilities" eligible for the NEZ program: new facilities (new owner-occupied construction, including condominiums), rehabilitated facilities (subject to limits on market value and to minimum rehabilitation expenditures), and homestead facilities. The homestead category was added by legislation enacted in 2005, which expanded the program to allow abatements for recently purchased older homes; specifically, owner-occupied residences of one or two units purchased in 1997 or after, and located in a subdivision platted before January 1, 1968. The act was subsequently amended to provide an exception in this category for certain other property in Detroit also located in a pre-1968 subdivision. House Bill 4641 applies to that portion of the definition of "homestead facility."

The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in certain "distressed" urban communities. The act offers reduced property taxes to residential property owners in certain zones designated by eligible local units of government (known as core communities). Generally speaking, owners of new construction pay taxes at the rate of one-half the statewide average property tax rate and owners of rehabilitated housing pay taxes based on the value of residential property prior to rehabilitation. Owners of homestead property pay taxes equal to one-half the rate of local and county taxes and the full rate for other taxes (including schools). The abatement applies to structures and not to land. Property owners who obtain a neighborhood enterprise zone certificate are exempt from standard property taxes and instead pay a specific tax known as the neighborhood enterprise zone tax. The abatements are available from 6 to 15 years. (Specifically, these properties are exempt from general property taxes and subject instead to a lower specific tax.)

MCL 207.772

FISCAL IMPACT:

This bill would have no state or fiscal impact, but would allow the City of Detroit to participate in the Neighborhood Enterprise Zone Act in the same manner as they currently do.

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