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BILL ANALYSIS

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House Bill 4986 (Substitute S-4 as reported by the Committee of the Whole)
Sponsor: Representative Coleman Young
First House Committee: Tax Policy
Second House Committee: Commerce
Senate Committee: Commerce and Tourism

CONTENT

The bill would amend the Neighborhood Enterprise Zone (NEZ) Act to 1) allow an application for a NEZ certificate to be filed after a building permit was issued in a specific situation, and 2) allow a subsequent owner to request and be granted a NEZ certificate if a new facility were completed in a NEZ but the original owner did not apply for a certificate.

Under the Act, 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 apply to the clerk of the local unit for a NEZ certificate, which will entitle the owner or developer to reduced taxes on the structure. Unless the property is a homestead facility, the Act requires an application to be filed before a building permit is issued for the new construction or rehabilitation, but the Act also describes circumstances under which an application may be filed after a building permit has been issued. Under the bill, an application also could be filed after a building permit was issued for the construction of a new facility if the area in which it is located had been designated as a NEZ by the governing body of the local unit in April 2003 and the building permit had been issued for that facility in April 2008 or September 2008.

Also, under the bill, if a new facility were completed in a NEZ but the original owner did not apply for a NEZ certificate, a subsequent owner occupying the facility as a principal residence could request and be granted a certificate. The certificate would be effective the December 31 of the year before the application and would be granted for the remainder of the term that a certificate would have been in effect for the original owner, up to 15 years.

MCL 207.774

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill, by allowing additional exemptions in neighborhood enterprise zones, would potentially result in a loss of State and local property taxes. The potential loss would depend on the number of property owners and the value of the property eligible under the bill. The potential revenue loss would affect local property taxes where the neighborhood enterprise zones are located as well as State property taxes via the State Education Tax. The State also would incur a potential liability to reimburse the State School Aid Fund for any losses due to reductions in the State Education Tax.

Date Completed: 6-24-10

Fiscal Analyst: Eric Scorsone

[floor/hb4986](#)

Bill Analysis @ www.senate.michigan.gov/sfa

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