

Legislative Analysis



EXTEND NEIGHBORHOOD ENTERPRISE ZONE DEADLINE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6017 (H-2) as reported from committee

Sponsor: Rep. Joseph N. Bellino, Jr.

Committee: Local Government and Municipal Finance

Complete to 5-26-22

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 6017 would amend the Neighborhood Enterprise Zone Act to extend, by about six months, the deadline for completion of a project that was issued a neighborhood enterprise zone (NEZ) certificate before March 23, 2020. Currently, a certificate expires if the owner fails to complete the project within three years, but automatic extensions are available under the act for one additional year and, for a certificate issued before March 23, 2020, another additional 180 days. The bill would change the length of the second automatic extension (available for certificates issued before March 23, 2020) from 180 days to one year.

The Neighborhood Enterprise Zone Act¹ provides for property tax abatements to encourage the development and rehabilitation of residential housing in areas designated by certain eligible cities, villages, and townships. Generally speaking, after receiving an NEZ certificate and meeting other requirements concerning the housing construction or rehabilitation, a property owner is exempt from ad valorem property taxes and instead is subject to a specific tax known as the neighborhood enterprise zone tax. This abatement applies to structures and not to land. For new structures, the NEZ tax rate is half of the statewide average rate of taxation for the applicable type of property. For rehabilitated structures, the NEZ tax is the property tax that would be paid using the structure's pre-rehabilitation taxable value. The abatements are available for 6 to 15 years, although historic buildings can maintain them for 11 to 17 years.

A certificate takes effect on December 31 of the year in which the new or rehabilitated facility is substantially completed and (for a new facility) occupied as a principal residence by an owner, as evidenced by the owner's filing all of the following with the assessor of the local assessing unit:²

- For a new facility, a certificate of occupancy.
- For a rehabilitated facility, either of the following:
 - If required by local building permits or building codes, a certificate of occupancy.
 - A certificate that the improvements meet minimum local building code standards issued by the local building inspector or other authorized officer.
- For a rehabilitated facility, documentation proving that applicable cost requirements under the act have been met.
- For a homestead facility or a new facility, an affidavit executed by an owner affirming that the homestead facility or new facility is occupied by an owner as a principal residence.

¹ See <https://www.miplace.org/4a657a/globalassets/documents/fact-sheets/neighborhood-enterprise-zone-pa-147.pdf>

² Note that *new facility*, *rehabilitated facility*, and *homestead facility* are all defined terms under the act. See <http://legislature.mi.gov/doc.aspx?mcl-207-772>

The act currently provides that a certificate issued after December 31, 2016, expires if within three years the owner fails to provide the evidence of the project's completion as described above. Before the certificate expires or within one year after the certificate expires, the certificate holder may request an automatic one-year extension of that deadline as long as the owner has proceeded in good faith with the construction or rehabilitation and was delayed in completing it by circumstances beyond the certificate holder's control. In addition, within 180 days after expiration of the certificate, the holder of a certificate issued before March 23, 2020, may request an additional automatic extension of 180 days. Extensions for a new facility must be granted if the facility has not been occupied.

The bill would change the length of the second automatic extension described above (available for certificates issued before March 23, 2020) from 180 days to one year.

MCL 207.781

FISCAL IMPACT:

To the extent that an NEZ certificate would expire but for the provisions of the bill providing an extension, the bill would reduce revenue for state and local governments by an unknown amount. Any fiscal impact would depend on the size and scope of the NEZ project. Local property tax revenues and the State Education Tax (SET) would be reduced. Reductions in the SET revenue would increase costs to the School Aid Fund assuming the foundation allowance was maintained.

POSITIONS:

A representative of Rocket Mortgage testified in support of the bill. (5-4-22)

The Michigan Municipal League indicated support for the bill. (5-4-22)

The Department of Treasury indicated a neutral position on the bill. (5-18-22)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.