

# Legislative Analysis

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## REVISE NEIGHBORHOOD ENTERPRISE ZONE AUTHORIZATION PROCESS

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**House Bill 6032**

**Sponsor: Rep. Barb Byrum**

**Committee: Intergovernmental, Urban, and Regional Affairs**

**Complete to 8-9-08**

### **A SUMMARY OF HOUSE BILL 6032 AS INTRODUCED 5-1-08**

House Bill 6032 would amend the Neighborhood Enterprise Zone Act (MCL 207.775 et al.) in order to transfer the State Tax Commission's authority to approve neighborhood enterprise zones from the commission to the assessors of the local governmental units within which the zones would be located.

In addition, the bill would repeal Section 15 of the act, which has required, since 1993, the Michigan Enterprise Zone Authority and the Department of Treasury to biennially prepare and submit to the legislature's taxation and housing committees an in-depth analysis of the costs and benefits of this act, and its impact on neighborhood revitalization in the local governmental units where it has been used.

The Neighborhood Enterprise Zone Act was enacted in 1992 as an effort to improve the housing stock in urban areas where little or no new construction was taking place and a great deal of the housing needed to be rehabilitated. The act offers reduced property taxes to residential property owners in zones designated by eligible local units of government (known as "core communities"), with the approval of the State Tax Commission. 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. The abatement applies to structures and not to land. The abatements are available from 6 to 15 years.

Currently under the law, the State Tax Commission has the authority to approve the applications for neighborhood enterprise zones, which are submitted to the commission by the governing bodies of local governmental units. Within a specified time period (which varies depending on the time of year the application is submitted), the commission determines whether the homestead facility, new facility, or rehabilitated facility complies with the requirements of the act. If so, the commission issues a neighborhood enterprise zone certificate, and sends a certified copy of that certificate to the assessor of the local governmental unit, and to each affected taxing unit. The State Tax Commission also has the authority, under certain circumstances, to revoke the certificates, rescind their revocation, transfer the certificates, and extend their duration. And, the commission can promulgate rules it necessary to administer the act.

House Bill 6032 would modify all of these provisions, giving the authority to revoke, rescind, extend, and transfer certificates to the assessors of the local governmental units.

The bill would eliminate entirely the rule-making authority that currently rests with the commission.

Further, the bill would require that not later than March 15 of each year, the assessor of each local government unit that issues a certificate, file a report with the State Tax Commission containing all of the following information for the immediately preceding calendar year:

- The number of certificates issues.
- The type of each certificate.
- The date of issuance.
- The name and address of each certificate holder.
- The legal description of the real property of the homestead facility, new facility, or rehabilitated facility for which each certificate was issued.
- The taxable value for each homestead facility or new facility.
- The frozen taxable value for each rehabilitated facility.
- For each transferred certificate, the transfer date and the names and addresses of the former and current holders of the certificates.
- For each revoked certificate, the reason and date of the revocation and the name and address of the certificate's holder.
- The impact on neighborhood revitalization in the local governmental unit, including the estimated tax savings for all new and current certificate holders.

The bill would require that this report be prepared by the local assessor on a form provided by the State Tax Commission and that the commission could require that the report be filed electronically.

#### **FISCAL IMPACT:**

House Bill 6032 would have minimal fiscal impact on state government and an indeterminate impact on qualifying local units of government.

The State Tax Commission, composed of three members appointed by the Governor, supervises the administration of Michigan property tax laws. Because House Bill 6032 transfers the responsibility to approve applications for Neighborhood Enterprise Zones from the State Tax Commission to the assessors of local units of government, the State Tax Commission may realize a cost savings of an indeterminate amount. Qualifying local governmental units may experience increased administrative costs stemming from the bill's requirement that local assessors approve applications, oversee existing certificates and any modifications, and produce a yearly report on Neighborhood Enterprise Zone activities to the State Tax Commission. According to the State Tax Commission, in 2007 there were 815 new applications for Neighborhood Enterprise Zones (NEZ) and 3,807 NEZ homestead applications.

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