Legislative Analysis

MODIFY DEFINITION OF REHABILITATED FACILITY IN NEIGHBORHOOD ENTERPRISE ZONE ACT

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Senate Bill 319 (S-1) as passed by the Senate
Sponsor: Sen. Jeremy Moss
House Committee: Commerce and Tourism
Senate Committee: Economic and Small Business Development
Complete to 10-10-19

SUMMARY:

Senate Bill 319 would amend the Neighborhood Enterprise Zone Act to increase the dollar amounts used to define a ***rehabilitated facility*** under the act and to require the state treasurer to annually adjust these values for inflation.

Under the act, ***rehabilitated facility*** means a residential structure that qualifies for neighborhood enterprise zone (NEZ) tax exemptions under the condition that the owner has a plan approved by the Department of Treasury to renovate it and bring it back up to code. Currently, this may apply to an existing structure with the following characteristics:

- Has a current true cash value of $80,000 or less.
- Is primarily a residential housing structure.
- Consists of one to eight units.

To qualify for the NEZ exemptions, the property must be owned by someone who proposes improvements to the property that, if done through a licensed contractor, would cost:

- More than $5,000 per owner-occupied unit or 50% of the current true cash value, whichever is less.
- More than $7,500 per non-owner-occupied unit or 50% of the current true cash value, whichever is less.

Senate Bill 319 would amend these standards to apply to properties with a current true cash value of $120,000 or less whose proposed improvements would cost more than $10,000 or $15,000 for owner-occupied and non-owner-occupied units, respectively.

The bill would define ***current true cash value*** as the most recent determination of true cash value under the General Property Tax Act.

In addition, beginning in 2020 and each year thereafter, the state treasurer would have to adjust the dollar amounts described above by the inflation rate for that year as it is defined in the General Property Tax Act.

MCL 207.772 et seq.

FISCAL IMPACT:

The bill could reduce local property tax revenue by an indeterminate amount by granting neighborhood enterprise zone eligibility to additional properties through increased true cash value caps on rehabilitated facilities in Neighborhood Enterprise Zones (NEZs). Any fiscal impact under the bill would depend on whether the rehabilitation of the facility would have occurred without the NEZ property tax abatement. The bill would reduce revenues relative to current law if it was determined that the rehabilitation of the property would have occurred even if no NEZ property tax abatement existed. The magnitude of the reduction in tax revenues would be directly related to the quantity and value of newly eligible properties.

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