Legislative Analysis

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NEZ TAX ABATEMENT EXCEPTION

Senate Bill 146
Sponsor: Sen. Coleman Young ***(Enacted as Public Act 17 of 2014)***
House Committee: Tax Policy
Senate Committee: Economic Development

Complete to 1-13-14

A SUMMARY OF SENATE BILL 146 AS PASSED BY THE SENATE 10-24-13

The bill would amend the Neighborhood Enterprise Zone Act (MCL 207.774) to allow a property tax abatement to be awarded in an exceptional case.

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. 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.

Generally, the act requires an application for a certificate to be filed before a building permit is issued for the new construction or rehabilitation of the facility, but a number of exceptions to this requirement have been added to the statute since its enactment. Many of these exceptions apply in cases where procedural errors have been made in the abatement process.

Senate Bill 146 would amend the Neighborhood Enterprise Zone Act to add a new exception. In this case, an application could be filed after a building permit is issued:

for the construction of a facility if the area in which the facility is located was designated as a neighborhood enterprise zone by the governing board of the local governmental unit in September 2012 and if the building permit was issued for that facility after December 1, 2004 and before December 30, 2004.

FISCAL IMPACT:

The bill would potentially reduce state and local property tax revenue by an indeterminate amount by granting eligibility to an additional specific facility. To maintain guaranteed per-pupil funding amounts, School Aid Fund (SAF) expenditures would need to increase by an unknown amount to replace lost tax revenue for school operating purposes. The actual amount of reduction in tax revenues and the resulting increase in SAF expenditures would depend upon the characteristics of the specific affected property.

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