



Senate Fiscal Agency
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**BILL ANALYSIS**

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House Bill 5140 (Substitute H-3 as reported without amendment)

Sponsor: Representative Jim A. Plakas

House Committee: Commerce

Senate Committee: Commerce and Labor

CONTENT

The bill would amend the Neighborhood Enterprise Zone Act to allow an application for a neighborhood enterprise zone certificate to be filed after a building permit was issued for the construction of a new facility, if the area in which the new facility was located had been designated as a neighborhood enterprise zone by the governing body of the local governmental unit in August 2004 and if building permits had been issued for that facility beginning November 5, 2002, through December 23, 2003.

The Act allows eligible local governmental units to designate neighborhood enterprise zones, within which the owner or developer of property may receive a neighborhood enterprise zone certificate that exempts new or rehabilitated housing from the property tax and subjects it, instead, to a specific neighborhood enterprise zone tax. The tax rate for new housing is half the statewide average tax rate; for rehabilitated housing, the tax is computed based on the value of the facility before renovations were made. An application for a certificate must be filed before a building permit is issued, but the Act contains several exceptions to that requirement. The bill would add an exception for an application described above.

MCL 207.774

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would reduce State and local property tax revenue and increase State School Aid Fund (SAF) expenditures. The area affected by the bill reportedly includes approximately 39 homes, and the bill would reduce the number of mills levied on the property from approximately 57 mills to 17 mills. Assuming that the average value of each affected property is \$200,000, the bill would reduce property tax revenue by approximately \$156,000, of which slightly more than \$16,000 would be a reduction in revenue to the SAF.

The bill would reduce property taxes to local school districts by approximately \$52,000. Because the SAF ensures that the combination of State aid and locally raised revenue reaches a given per-pupil level, reductions in local school district property tax revenue are offset by increased School Aid Fund expenditures. As a result, the bill also would increase SAF expenditures by approximately \$52,000.

Date Completed: 12-8-04

Fiscal Analyst: David Zin