

# Legislative Analysis



## LAND TAX EQUITY ACT

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

**House Bills 4966, 4969, and 4970 as introduced**  
**Sponsor: Rep. Stephanie A. Young**

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

**House Bill 4967 as introduced**  
**Sponsor: Rep. Karen Whitsett**

**House Bill 4968 as introduced**  
**Sponsor: Rep. Alabas Farhat**

**Committee: Tax Policy**  
**Complete to 9-13-23**

## SUMMARY:

House Bills 4966 to 4970 would create the Land Tax Equity Act and make complementary changes to the General Property Tax Act, the Neighborhood Enterprise Zone Act, the Income Tax Act, and the Tax Reverted Clean Title Act.

**House Bill 4966** would create the Land Tax Equity Act, which would allow cities and *local units of government* to authorize a land value tax (LVT). The LVT would allow cities and local units of government to designate *qualified taxes* to be replaced by an *equivalent land tax rate* to be levied on all parcels of *land* not specifically exempted by the bill.

*Local unit of government* would mean a school district, community college district, library, authority, charter authority, or other type of local governmental unit that is not a city and that meets all of the following:

- It is created by or authorized to be created by state law.
- It is authorized to levy ad valorem taxes for operating purposes.
- It has geographic boundaries coterminous with or totally within the geographic boundaries of a *qualified city*.

*Qualified city* would mean a city that has adopted a resolution authorizing the levy of an LVT as described below. (Similarly, *qualified local unit of government* would mean a local unit of government that has adopted such a resolution.)

*Qualified tax* would mean that portion, which could not be less than 50%, of a city's or local unit of government's *authorized ad valorem millage* that is designated under the bill as eligible to be converted to an equivalent land tax rate for levy as an LVT.

*Authorized ad valorem millage* would mean the rate of ad valorem millage that a city or local unit of government is authorized to levy for *operating purposes* under law or charter after any reduction caused by the application of section 34d of the General Property Tax Act.<sup>1</sup>

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<sup>1</sup> <http://legislature.mi.gov/doc.aspx?mcl-211-34d>

**Operating purposes** would mean either of the following, as applicable:

- Municipal purposes for which a city is authorized under section 3 of the Home Rule City Act<sup>2</sup> to lay and collect taxes under the city's charter.
- Purposes for which ad valorem property taxes are levied by a local unit of government, other than the levy of ad valorem property taxes to provide school districts revenue that is deposited in a building and site fund and other than to pay principal and interest due on a bond or note if and to the extent the ad valorem taxes levied for these purposes are in addition to charter or statutory limitations, as authorized by the Revised Municipal Finance Act.

**Equivalent land tax rate** would mean, for a city or local unit of government that has adopted a resolution authorizing an LVT, the percentage that, when multiplied by the taxable value of all land in the city or local unit of government for the first year in which the rate is imposed, would generate revenue equal to the revenue that would have been generated by the qualified tax for the first year in which an LVT is imposed. It would be calculated to reflect all of the following:

- **Tax increment revenues.**
- Any reimbursements to a land bank fast track authority required by the bill to be annually distributed from the receipts of an LVT.
- An adjustment to compensate for the effect of any credits allowed by the bill on the revenue of a qualified city.

**Tax increment revenues** would mean all of the following, as applicable:

- For a downtown development authority, that term as defined in section 201(cc) of the Recodified Tax Increment Financing Act.<sup>3</sup>
- For a tax increment finance authority, that term as defined in section 301(aa) of the Recodified Tax Increment Financing Act.<sup>4</sup>
- For a local development finance authority, that term as defined in section 402(jj) of the Recodified Tax Increment Financing Act.<sup>5</sup>
- For a corridor improvement authority, that term as defined in section 603(g) of the Recodified Tax Increment Financing Act.<sup>6</sup>
- For a brownfield redevelopment authority, that term as defined in section 2(tt) of the Brownfield Redevelopment Financing Act.<sup>7</sup>

**Land** would mean real property other than buildings and fixtures or other improvements on the real property, and appurtenances to the real property.

#### Authorizing and creating an LVT

Under the bill, a city could authorize an LVT upon the written request of the **chief executive officer** of the city to the city's governing body. The chief executive officer's recommendation would have to include all of the following:

- The qualified city's authorized ad valorem millage that may be qualified taxes and eligible to be converted to an equivalent land tax rate and exempted from collection.

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<sup>2</sup> <http://legislature.mi.gov/doc.aspx?mcl-117-3>

<sup>3</sup> <http://legislature.mi.gov/doc.aspx?mcl-125-4201>

<sup>4</sup> <http://legislature.mi.gov/doc.aspx?mcl-125-4301>

<sup>5</sup> <http://legislature.mi.gov/doc.aspx?mcl-125-4402>

<sup>6</sup> <http://legislature.mi.gov/doc.aspx?mcl-125-4603>

<sup>7</sup> <http://legislature.mi.gov/doc.aspx?mcl-125-2652>

- The year in which the recommended LVT would commence.
- If desired by the chief executive officer, the recommendation to adopt the system of credits allowed under the bill and any recommended modifications to those credits.

*Chief executive officer* would mean the mayor of a city that has a separately elected mayor form of government. (If a city does not have a chief executive officer, the city's governing body could take actions assigned to a chief executive officer by the bill.)

After receiving the written request, the city's governing body could authorize an LVT by adopting a resolution that is consistent with the request and provides for all of the following:

- A number of mills of the city's authorized ad valorem millage that may be designated as the portion eligible to be converted to the equivalent land tax rate of the city, which millage would be the qualified taxes of the city that are exempted from collection as ad valorem taxes under HB 4967 upon approval of the voters of an LVT.
- The projected millage of the equivalent land tax rate that will be levied on land in the first year the LVT is imposed.
- The first year in which the LVT would be imposed if approved by the voters.
- The phase-in period and percentages for the equivalent land tax rate during the phase-in period, if one has been recommended by the chief executive officer.
- If the chief executive officer of a city has made a recommendation to adopt a system of credits under the bill, and the governing body determines to do so, the approval of the system of credits and of any modifications allowed under the bill and recommended by the chief executive officer.

A local unit of government could authorize an LVT by adopting a resolution consistent with the requirements described above, except that it could not adopt a system of credits under the bill.

After the adoption of a resolution as described above, the city or local unit of government would have to submit the question of levying an LVT to voters at the first regular election date established under the Michigan Election Law<sup>8</sup> in an election conducted under the provisions of that law. At a minimum, the question would have to include the following:

- An identification of the qualified city or qualified local unit of government.
- The level of the qualified city's or qualified local unit's authorized ad valorem millage that, on voter approval of an LVT, will be qualified taxes exempted from collection as an ad valorem levy.
- The first year in which the LVT would be imposed if approved by the voters and any phase-in period.
- Based on the most recently established taxable valuations and the amount of qualified taxes to be exempted from collection as an ad valorem levy, the estimated equivalent land tax rate that would be levied on land.
- A description of the base on which the LVT would be imposed if approved by the voters.

If the question is approved, the qualified city or qualified local unit of government would certify its ad valorem tax millage levy and designate the portion of the certified mills to be qualified taxes at the levels established in the resolution and approved by the voters. From the

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<sup>8</sup> <http://legislature.mi.gov/doc.aspx?mcl-168-641>

qualified taxes, the city or local governmental unit would establish and designate the portion of the equivalent land tax rate for the tax year that would be imposed as an LVT. This amount would have to equal the equivalent land tax rate for the city or local unit of government.

Once approved by the voters, a qualified city or local unit of government would levy an LVT at the portion of the equivalent land tax rate established under the process described above on each parcel of land located in the city or local unit not exempted under the bill.

Any specific tax imposed under law that is based on or calculated using certified millage levies would be calculated using the entire millage certified annually by a qualified city or local unit of government, including the mills designated to be qualified taxes.

After the designation of certified mills as qualified taxes, a qualified city's chief executive officer would determine the equivalent land tax rate and the portion of the rate that will be levied as an LVT for the year. The executive officer would have to transmit a statement with these amounts, the calculation of the equivalent land tax rate, and the authorized ad valorem millage rate of the city that will be exempt from collection under HB 4967 to the city's governing body and the State Tax Commission (STC). In a qualified local unit of government, these actions could be performed by the unit's governing body or delegated to an official or administrative officer of the local unit.

The portion of the equivalent land tax rate to be imposed as an LVT would apply to the taxable value of land subject to the tax in the year that it is levied. For the purposes of the bill and unless an alternative method was prescribed by the STC, the taxable value for the land portion of a parcel of property in each year would be calculated by multiplying the taxable value of the entire property by the percentage of the entire state equalized value (SEV), including improvements, attributable to the land portion of the parcel.

#### Changing the equivalent land tax rate

The equivalent land tax rate calculated during the initial year would not change in subsequent years unless the certified mills designated to be qualified taxes increases. In these cases, the equivalent land tax rate would be calculated based on the revenue the additional mills designated to be qualified taxes would have generated on the taxable value for the year in which the equivalent land tax rate would increase.

#### Levying the LVT

An LVT would be levied under many of the same procedures established by the General Property Tax Act, unless otherwise provided in the bill. Specifically:

- An LVT would be assessed, levied, collected, and disbursed in the same manner as an ad valorem tax on real property under the General Property Tax Act.
- An LVT would be annual tax payable at the same times, in the same installments, and to the same officers as ad valorem taxes imposed under the General Property Tax Act and the State Education Tax Act.
- An LVT would be subject to the same collection fees, penalties, and interest as taxes imposed under the General Property Tax Act, including any applicable property tax administration fee or late penalty charge.
- Property granted a poverty exemption under the General Property Tax Act before April 1 of the year the tax is levied would be exempt from an LVT to the extent and for the duration provided by the General Property Tax Act unless the qualified city levying an LVT had adopted the credit allowed for homesteads under the bill (described below).

- Land or real estate that is exempt from the levy of ad valorem taxes and ad valorem taxes on land or real estate that are exempt from collection under the General Property Tax Act or another state law (except for the exemption provided by HB 4967) would be exempt from an LVT.
- An LVT would become a lien on property assessed on the same date as an ad valorem tax levied under the General Property Tax Act. A lien for an LVT would include any applicable collection fees, penalties, or interest and would continue until fully paid.
- Any unpaid LVT and any applicable fee or interest would be returned to the county treasurer as delinquent at the same time as ad valorem taxes on real property under the General Property Tax Act. Real property subject to a delinquent LVT would be subject to forfeiture, foreclosure, and sale at the same time and in the same manner as delinquent real property under the General Property Tax Act.

#### Disbursement of the LVT

Prior to disbursements to any other taxing units levying a qualified tax, the following disbursements would have to be made:

- If the LVT revenue includes amounts that would have been tax increment revenues captured under a plan approved before the electors of the qualified city or local governmental unit approved the levy of an LVT, the tax increment revenues that those entities would have been entitled to receive from qualified taxes would have to be disbursed to them from LVT revenues in a manner consistent with the disbursement requirements under the applicable law governing the tax increment revenues of the relevant entity. (After the first year in which an LVT is levied, the reimbursement of tax increment revenues could not grow at a rate faster than the growth of LVT revenue.)
- A portion of the disbursement made to a qualified city would be allocated to the land bank fast track authority created by the city in an amount sufficient to reimburse the authority for any reduction in collections of the eligible tax reverted property specific tax caused by the adoption of an LVT.

Collections would be disbursed to and among the taxing units levying a qualified tax at the same times and in the same proportions as the disbursement of the qualified taxes. Officers to whom an LVT is payable would send a notice of the disbursement amounts made to each taxing unit to the STC on a form provided by the STC.

#### Credits

The bill would allow qualified cities to adopt a system of credits to be applied against an LVT. A credit permitted against an LVT would not be allowed to be greater than the largest of the following amounts:

- For any parcel of real property for which the SEV of the land is less than the credit threshold (60%) of the SEV of the entire real property, the difference between the following if greater than zero, but not exceeding the credit cap (\$50,000, subject to adjustment as described below):
  - The total levy of all ad valorem and specific taxes imposed on the parcel of real property by all taxing units for a tax year, including the levy of an LVT by a qualified city and each qualified local unit of government.
  - An amount equal to the sum of the following:
    - The amount, calculated for the tax year, of all certified ad valorem and specific taxes that would be levied by all taxing units of the taxable

value of the real property subject to those taxes, if the LVT were not levied.

- The product of the base multiplier percentage (20%) and the total amount of taxes if the LVT were not levied (described above).
- For any *homestead*, the difference between the following if greater than zero:
  - The total levy of all ad valorem and specific taxes imposed on the homestead by all taxing units for a tax year, including the levy of an LVT by a qualified city and each qualified local unit of government.
  - An amount equal to the product, calculated for the tax year, of all certified ad valorem and specific taxes that would be levied by all taxing unit on the taxable value of the homestead subject to those taxes if the LVT were not levied.

*Homestead* would mean the aggregated parcels of the following real property:

- A parcel of real property owned and occupied as a principal residence and on which is located a dwelling, if the parcel has a principal residence exemption in effect for the tax year.
- Up to four parcels of unoccupied real property that are under common ownership with, and that are each individually adjacent and contiguous to, the property described above.

In a qualified city in which these credits are created, the treasurer or other collector of an LVT would have to identify and reduce the LVT due by the amount of the credit. If the total credit for a homestead exceeded the total LVT imposed on any separately assessed and taxed parcel of real property comprising the homestead, the treasurer would have to provide a method of allocation of the credit and could refund any excess amount to the taxpayer in lieu of applying the credit to the LVT due on the parcels comprising the homestead.

The credits would be available against an LVT from the first year it is imposed and every subsequent year until the ownership of the land subject to the tax is transferred and its taxable value is subject to adjustment under the General Property Tax Act.

The bill would allow a qualified city to modify the base multiplier percentage, the credit cap, and the credit threshold established by the bill upon recommendation by the chief executive officer and concurrence by resolution of the city's governing body.

The bill also would allow *eligible property* and any *adjacent property* to receive a credit against the LVT equal to the product of the *minimum parking area percentage* multiplied by the LVT for the tax year (after the application of any credit described above). The credit could not exceed either of the following:

- The LVT for the tax year imposed on the eligible property and any adjacent property in aggregate, after the application of other credits.
- The amount by which the LVT for the tax year on the eligible property and any adjacent property, in aggregate, exceeds all certified ad valorem and specific taxes that would be levied on the taxable value of the property if the LVT were not levied.

*Eligible property* would mean land subject to tax imposed by a qualified city under the bill that meets all of the following criteria:

- The property is not designed or used as a single-family or two-family dwelling.
- The property includes a structure used for the purpose of an operating business that is open to the public or its employees, customers, or residents.

- The property includes a portion of its area that is required to be used for accessory parking without charge or assessment of any fee to the user under the zoning ordinances of the qualified city, not to exceed the accessory parking requirements in effect as of the date the LVT is adopted by the qualified city.

***Adjacent property*** would mean land immediately adjacent and contiguous to eligible property, including property separated by a public right-of-way, if that immediately adjacent and contiguous land meets all of the following criteria:

- The owner of the property is under common control with the owner of the eligible property. (An owner would be considered to be under common control if the owner of the eligible property holds, directly or indirectly, the majority voting or ownership interest in the controlled entity).
- The property includes a portion of its area that is required to be used for accessory parking without charge or assessment of any fee to the user under the zoning ordinances of the qualified city, not to exceed the accessory parking requirements in effect as of the date the LVT is adopted by the qualified city.
- The property has a separate parcel identification number from the eligible property.

***Minimum parking area percentage*** would mean the product of the following divided by the total land acreage of the eligible property and any adjacent property:

- The lesser of the actual number of accessory parking stalls located on the eligible property and the adjacent property or the number of accessory parking stalls required, and to the extent not waived, for the eligible property under the qualified city’s zoning ordinance that are located on the eligible property and the adjacent property.
- The number of square feet for each accessory parking stall required for the eligible property, inclusive of required access aisles, the entirety of which could not exceed 350 square feet per accessory parking stall, divided by 43,560 square feet.

To receive this credit, the owner of an eligible property would need to apply annually to the qualified city’s treasurer for certification of the credit amount against the LVT on the eligible property and any adjacent property for the year. The application would have to be submitted in a form or manner prescribed by the qualified city’s treasurer between January 1 and March 31 of the year in which the credit would be applied. The application would have to provide for the method of allocation of the credit if the credit amount exceed the total amount of LVT imposed on the eligible property or any adjacent property individually.

Exempting agricultural and publicly designated property

The bill would exempt ***eligible agricultural property*** and ***publicly designated properties*** from LVTs and would require city assessors to approve an application to designate real property as either eligible agricultural property or publicly designated property if the following conditions are met:

- The property meets the definition of eligible agricultural property or publicly designated property as of December 31 of the year immediately preceding the year for which the exemption would first apply.

- The applicant seeking the exemption applies to the assessor for the exemption, in a form prescribed by the assessor, on or after January 1 and before May 1 of the year for which the exemption would first apply.
- The applicant submits an affidavit, in a form prescribed by the assessor, that includes all of the following information:
  - Evidence as prescribed that the applicant is the *owner* of the real property for which the exemption is sought.
  - Evidence as prescribed that the real property for which an exemption is sought qualifies as eligible agricultural property or as a publicly designated property.
- The applicant submits a list of properties for which an exemption is sought, including any property identification required by the assessor.
- For an application for an exemption of eligible agricultural property, not more than 15 acres of property of any owner could be submitted and designated as eligible agricultural property.
- For an application for an exemption of publicly dedicated property, not more than five acres of property of any owner could be submitted and designated as publicly dedicated property.
- For an exemption of publicly dedicated property, the *owner* has agreed to a development rights agreement or easement with the qualified city for an initial term of not less than 5 years. A development right agreement or easement would be subject to terms agreed to by the city but could not permit any action that materially impair the character of the land involved. It would also be required to include restrictions and limitations consistent with those in sections 36103(2) to (4)<sup>9</sup> and 36105(2)(a) to (e)<sup>10</sup> of the Natural Resources and Environmental Protection Act (NREPA).

*Eligible agricultural property* would mean unoccupied property, and related buildings located on property, that meets all of the following criteria:

- More than 50% of the parcel's acreage is devoted to *agricultural use*.
- Any portion of the property that is not devoted to agricultural use is used for a purpose that would be considered a permissible use for publicly dedicated property, but for which a development rights agreement or easement is not required.
- The property is classified as agricultural under section 34c of the General Property Tax Act,<sup>11</sup> or, if not, the owner of the property has filed the affidavit required under section 7ee of the General Property Tax Act.<sup>12</sup>
- All permits required by the qualified city for use of the property for an agricultural use have been obtained by the owner.
- The property is not used for commercial storage, processing, distribution, marketing, or shipping operations or other commercial or industrial purposes.
- The property is not otherwise exempt from the LVT.

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<sup>9</sup> <http://legislature.mi.gov/doc.aspx?mcl-324-36103>

<sup>10</sup> <http://legislature.mi.gov/doc.aspx?mcl-324-36105>

<sup>11</sup> <http://legislature.mi.gov/doc.aspx?mcl-211-34c>

<sup>12</sup> <http://legislature.mi.gov/doc.aspx?mcl-211-7ee>



***Agricultural use*** would mean a use for purposes considered an agricultural use under section 36101 of NREPA,<sup>13</sup> to the extent that the use also meets the requirements under land use ordinances of a qualified city for use as a farmer’s market, urban garden, or urban farm.

***Publicly designated property*** would mean any land of up to five contiguous acres that, if preserved in its present state under conditions that may be established under a development rights agreement or easement approved by a qualified city, is not used for private purposes and is serving one or more of the following purposes:

- Conservation of natural or scenic resources other than plantings, vegetation, and trees on property classified as residential under section 34c of the General Property Tax Act, but including the conservation of soils, wetlands, waterfront, and beaches.
- Enhancement of recreational opportunities or access to recreational opportunities.
- Educational opportunities that will instruct the public on the conservation of natural resources and sustainable agricultural use of land.

***Owner*** would mean any of the following:

- A person in whom real property is titled, as evidenced by a recorded deed for the property.
- The holder, directly or indirectly, of a majority voting or ownership interest in an entity in which real property is titled, as evidenced by a recorded deed for the property.
- The holder of rights to real property as a buyer under a land contract.
- A person that owns property as a result of being a beneficiary of a will or trust or as a result of intestate succession.

An assessor would have to review each exemption every three years after it was approved, and exemptions would remain in effect until the tax year immediately after any of the following:

- A transfer of ownership of the property in a manner that would require the filing of a notice of the transfer of ownership under section 27a of the General Property Tax Act.<sup>14</sup>
- A change of use of the property that would disqualify the property as eligible agricultural property or as publicly dedicated property.
- Absent notice from the owner of either occurrence described above, a revocation of the exemption by the assessor if the assessor discovers the occurrence.

After the termination of an exemption, the owner of the property would be able to submit a new application for exemption.

#### Severability

The bill declares itself to be severable. (All Michigan laws are already severable under MCL 8.5.) Severability means that if a court finds any part of a law or its application to be invalid, that finding does not affect the validity of the rest of the law.

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<sup>13</sup> <http://legislature.mi.gov/doc.aspx?mcl-324-36101>

<sup>14</sup> <http://legislature.mi.gov/doc.aspx?mcl-211-27a>

The bill would also allow a qualified city or local unit of government to take action to adjust the provision of an LVT to address and correct any invalid application of the LVT to any person, property, or circumstance that has been found by a court.

#### Other provisions

The bill states that it should be broadly construed to achieve its purposes and includes language prohibiting injunctions in certain circumstances.

**House Bill 4967** would amend the General Property Tax Act to make complementary changes and provide for the exemption of property subject to an LVT from qualified taxes.

#### Exemption from qualified taxes

The bill would provide that real property in a *land equity city* or *land equity local unit* (i.e., a qualified city or qualified local unit of government) that is not otherwise exempt under the act is exempt from the collection of qualified taxes for each year in which both of the following apply:

- An LVT has been authorized by the city or local unit and approved by the qualified voters under HB 4966.
- The LVT has been approved and certified mills have been designated as qualified taxes by the city or local unit.

The exemption would be phased into effect in equal percentages as determined by the city over a period of up to the first three years during which the LVT is imposed. Starting during the last year of the phase-in period, the exemption would be effective at 100% of the amount of qualified taxes.

#### Assessment notice requirements

The bill would also require an assessor of a land equity city to include the following in the assessment notice required by section 24c of the General Property Tax Act:<sup>15</sup>

- The assessed value and taxable value of the land portion of each parcel of property that is subject to the specific tax under HB 4966.
- The assessed value and taxable value of each parcel of real property and improvements, other than the land portion of the parcel, that includes land subject to the specific tax under HB 4966.
- A statement that the taxable value will be the basis of the tax imposed under HB 4966.

Unless an alternative method is prescribed by the STC, the taxable value for the land portion of a parcel of property in each year would be calculated by multiplying the taxable value of the entire property by the percentage of the entire SEV, including improvements, attributable to the land portion of the parcel.

#### Adjusting a property's assessed value

If a board of review in a land equity city took action to correct or change the assessed value of any parcel of property, the city's assessor would have the sole responsibility and authority to proportionally adjust the assessed values required on the assessment notice described above to allocate the correction or make the respective assessed valued relatively just and proper.

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<sup>15</sup> <http://legislature.mi.gov/doc.aspx?mcl-211-24c>

### Tax statement

The bill would require the treasurer of a land equity city to prepare a tax statement related to the collection of an LVT in a form prescribed by the treasurer. The statement could be separate from or part of the statement required with respect to ad valorem property taxes. It would need to include all of the following:

- The taxable value of the real property subject to tax under HB 4966.
- The amount of tax levied and to be collected, specified by dollar amount, under HB 4966.
- Any information required for the statement under HB 4966.

### Including specific taxes in other provisions of the General Property Tax Act

The bill also would make several complementary changes to include specific taxes levied under other laws of the state, including HB 4966, in various procedures relating to ad valorem property taxes under the General Property Tax Act, including:

- That the taxes are determined as of December 31 of the immediately preceding year.
- That the taxes must be prorated depending on the day the title passes to another owner.
- That taxes returned as delinquent are subject to forfeiture, for closure, and sale.
- That the taxes must be included on the taxpayer statement and collected by cities with a population of 500,000 or more. (The bill would lower this population threshold from the current level of 600,000 or more.)

### Severability

The bill declares itself to be severable. (All Michigan laws are already severable under MCL 8.5.)

MCL 211.2 et seq. and proposed MCL 211.7yy

**House Bill 4968** would amend the Tax Reverted Clean Title Act to include LVTs in the calculation of the eligible tax reverted property specific tax when applicable. The eligible tax reverted property specific tax is levied on certain properties sold or otherwise conveyed by a land bank fast track authority.

MCL 211.1025

**House Bill 4969** would amend the Neighborhood Enterprise Zone Act to provide that a neighborhood enterprise zone (NEZ) tax could not be levied on the owner of a homestead facility, new facility, or rehabilitated facility located in a city with an LVT for any year in which the LVT, computed as if the property were not subject to the NEZ tax, is less than the NEZ tax. If the NEZ tax is canceled for a given year, the land on which a facility was located would also be exempt from the LVT for that year. The bill also would prohibit neighborhood enterprise zone certificates from being issued for a homestead facility by a city after the date on which an LVT was approved by the voters.

### Use of Certified Mills to Determine Tax Rates

The bill would require that the levies certified by a city under HB 4966, including ad valorem taxes and qualified taxes, must be used to determine the rates of taxes imposed under the Neighborhood Enterprise Zone Act that are based on or calculated using the millage levies of the city.

Severability

The bill declares itself to be severable. (All Michigan laws are already severable under MCL 8.5.)

MCL 207.779

**House Bill 4970** would amend Part 1 of the Income Tax Act to include specific taxes levied under HB 4966 in the definition of property taxes. This would include an LVT in the amounts used to calculation of the Homestead Property Tax Act.

MCL 206.512a

The bills are tie-barred so that none of them can take effect unless all are enacted.

**FISCAL IMPACT:**

Generally speaking, the provisions of HB 4966 and the companion bills, which would authorize land value tax, are permissive in nature. The bills would establish a framework to *authorize* certain local units of government of government to pursue a land value tax under the new act, subject to approval of the local unit's voters. Therefore, the bill imposes no direct fiscal impact on state or local units of government.

If a land value tax was adopted by a local unit of government, any net fiscal impact will be specific and unique to the applicable local unit of government based on the characteristics and scope of the land value tax established. While the general goal would be for the land value tax to be revenue-neutral for a relevant local unit, the structure, application, and initial assumptions of the land value tax implemented will ultimately determine the initial net impact. It is presumed that the net fiscal impact would also change over time as property owners responded to the varying property tax treatment because a land value tax system would tax the value of land at a higher rate than structures and buildings.

The city of Detroit has been the only municipality to indicate they would pursue a land value tax system as of this writing. Information related to the city's latest proposal can be found at this [link](#).

Under the bill, it is not expected that any land value tax would reduce or otherwise alter collections under the state education tax because, while the taxable value of the parcel would be split between a land portion and other real property and improvements, the overall taxable value would remain the same.

If a local unit of government adopted a land value tax that reduced residential homestead property taxes for eligible taxpayers, the homestead property tax credit would be reduced and individual income tax revenue would increase. To the extent that the reduced credit lowered a taxpayer's refund, the impact would be borne entirely by the general fund. However, if the reduced credit resulted in altering a taxpayer's annual payment, roughly 25% of the impact would fall on the School Aid Fund, with the remainder affecting the general fund. As noted above, since the bill is permissive in nature and subject to approval of the voters in any eligible local unit of government, an estimate cannot be provided.

A property with a neighborhood enterprise zone certificate would have the option of retaining that designation during the period of the certificate, assuming the NEZ tax was less than the computed land value tax treatment. Under the provisions of the bills, no new NEZ certificates would be awarded after the adoption of the land value tax in the local unit.

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