

Legislative Analysis



NEIGHBORHOOD ENTERPRISE ZONE EXTENSION

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House Bill 4641 as reported from committee

Sponsor: Rep. Steve Marino

Committee: Commerce and Tourism

Complete to 5-25-21

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

(Enacted as Public Act 44 of 2021)

SUMMARY:

House Bill 4641 would amend the Neighborhood Enterprise Zone Act to allow the holder of a neighborhood enterprise zone certificate issued before March 23, 2020, to request a 180-day extension of certain deadlines imposed under the act. The extension would accommodate certificate holders whose projects were delayed or suspended due to the COVID-19 pandemic or related restrictions.

The Neighborhood Enterprise Zone Act provides tax abatements to encourage the development and rehabilitation of residential housing in zones designated by eligible local units of government.¹ Generally speaking, after receiving a neighborhood enterprise zone (NEZ) certificate and meeting other requirements, property owners are exempt from standard ad valorem property taxes and instead pay a specific tax known as the neighborhood enterprise zone tax. This abatement applies to structures and not to land. The rates of the specific tax are based in part on whether the applicable residential structure is being newly built by an owner who will occupy it as his or her primary residence, is an existing structure being rehabilitated by an owner-occupant, or is an existing structure being rehabilitated regardless of whether it will be occupied by an owner or a nonowner. The abatements are available from 6 to 15 years, although historic buildings can maintain abatements for 11 to 17 years.

The owner must file a certificate of occupancy (or similar documents evidencing proper completion of the project) within a prescribed number of years after the NEZ certificate is issued, and failure to do so can result in the certificate's expiration. Those deadlines are two years for certificates issued before 2017 and three years for those issued in 2017 or after.

The act currently allows a certificate holder to ask for a one-year automatic extension of those deadlines by submitting a written request up to one year after the expiration of the certificate. The owner must have proceeded in good faith with the rehabilitation or construction, and the delay in completion of the project or owner occupancy of the structure must be due to circumstances beyond the control of the certificate holder.

The bill would additionally allow the holder of a certificate issued before March 23, 2020, to ask for a 180-day automatic extension of those deadlines by submitting a written request up to 180 days after the expiration of the certificate. This extension would be in addition to any other extensions already exercised by the certificate holder.

MCL 207.781

¹ See https://www.michigan.gov/taxes/0,4676,7-238-43535_53197-213184--,00.html

FISCAL IMPACT:

The bill would have an indeterminate, but likely negligible, impact on local property tax revenue if it is assumed that the deadlines would have been met but for the COVID-19 pandemic. The magnitude and scope of any fiscal impact would be directly related to the local unit of government and the property subject to the NEZ certificate.

POSITIONS:

The Department of Treasury indicated a neutral position on the bill. (4-20-21)

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.