



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: August 20, 2019

TO: Senator Jim Stamas, Chairperson Senate Appropriations Committee
Representative Shane Hernandez, Chairperson House Appropriations Committee
Senator Jim Runestad, Chairperson Senate Finance Committee
Representative Lynn Afendoulis, Chairperson House Tax Policy Committee
Christopher Harkins, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency

FROM: David A. Buick, Executive Director
Michigan State Tax Commission

SUBJECT: Neighborhood Enterprise Zone Homestead Exemption Report - 2018 Tax Year

Attached please find the Neighborhood Enterprise Zone Homestead Exemption Report for the 2018 tax year as required by Public Act 147 of 1992, the Neighborhood Enterprise Zone Act.

Background:

The Neighborhood Enterprise (NEZ) Zone Act, Public Act 147 of 1992, as amended, provides for the development and rehabilitation of residential housing located within eligible distressed communities. NEZ Homestead applications are filed, reviewed and approved by the local unit of government. Once an application is approved, the homeowner is eligible for a property tax exemption of between one-eighth and one-half of the city and county operating taxes levied, for a period of at least 6 years but not longer than 15 years. In exchange for the property tax exemption, the homeowner is required to invest a minimum of \$500 in their home within the first 3 years they receive the exemption. Cities currently participating with the NEZ Homestead exemption program include the City of Detroit, the City of Kalamazoo, the City of River Rouge, and the City of Traverse City. The requirement to annually submit this report to the legislature was the result of Public Act 284 of 2009.

Activity:

For the 2018 tax year, there were a total of 4,275 homesteads receiving an NEZ Homestead Exemption (see Table 1). Of this total, 257 were in their first year of receiving the exemption. There were 580 exemptions that were transferred to new owners and 6 exemptions that were revoked. The total estimated tax savings realized by the homeowners was \$2,234,009 (see Table 2), which includes \$1,819,698 from the City of Detroit, \$7,320 from the City of Kalamazoo, \$671 from the City of River Rouge, \$1,977 from the City of Traverse City, \$401,487 from Wayne County, \$1,780 from Kalamazoo County, and \$886 from Grand Traverse County. The average estimated tax savings per homestead in 2018 amounted to \$404 for City of Detroit

residents, \$212 for City of Kalamazoo residents, \$144 for City of River Rouge residents and \$334 for City of Traverse City residents (see Table 3).

Enc: NEZ Activity Report

Cc: Jeff Guilfoyle, Chief Deputy Treasurer
Joyce Parker, Deputy Treasurer of State/Local Finance
Paul Connors, Legislative Liaison
Heather S. Frick, Director, Bureau of Local Government Services

Table 1
NEZ Homestead Exemption¹

	<u>Exemptions</u>		<u>Transfers</u>		<u>Revocations</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
City of Detroit	5,376	4257	284	576	0	6
City of Kalamazoo	59	7	3	3	0	0
City of River Rouge	10	6	0	0	2	0
City of Traverse City	15	5	2	1	0	0
Total	5,461	4275	289	580	2	6

Table 2
Estimated Tax Savings from Taxing Units²

	<u>2017</u>	<u>2018</u>
City of Detroit	1,395,632	1,819,698
Wayne County	395,096	401,487
City of Kalamazoo	10,700	7,320
Kalamazoo County	2,603	1,780
City of River Rouge	900	671
Wayne County	255	190
City of Traverse City	4,522	1977
Grand Traverse County	<u>2,026</u>	<u>886</u>
Total	\$1,812,214	\$2,234,009

Table 3
Average Estimated Tax Savings per Homestead²

	<u>2017</u>	<u>2018</u>
City of Detroit	333	404
City of Kalamazoo	225	212
City of River Rouge	116	144
City of Traverse City	334	334
Average for all Communities	\$332	\$490

¹ As determined from data provided by the local unit assessor's office. Reports from previous years included the City of Hillsdale. These reports included incorrectly reported certificates. For the NEZ report for the 2018 tax year the City of Hillsdale has been removed.

² As calculated based on data provided by the local unit assessor's office.