



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: August 23, 2016

TO: Senator Dave Hildenbrand, Chairperson Senate Appropriations Committee
Representative Al Pscholka, Chairperson House Appropriations Committee
Senator Jack Brandenburg, Chairperson Senate Finance Committee
Representative Jeff Farrington, Chairperson House Tax Policy Committee
Ellen Jeffries, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency

FROM: Heather S. Frick, Executive Director
Michigan State Tax Commission

SUBJECT: Neighborhood Enterprise Zone Homestead Exemption Report - 2015 Tax Year

Attached please find the Neighborhood Enterprise Zone Homestead Exemption Report for the 2015 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 Hillsdale, 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 2015 tax year, there were a total of 5,005 homesteads receiving an NEZ Homestead Exemption (see Table 1). Of this total, 199 were in their first year of receiving the exemption. There were 197 exemptions that were transferred to new owners and 458 exemptions that were revoked. The total estimated tax savings realized by the homeowners was \$1,810,974 (see Table 2), which includes \$1,391,781 from the City of Detroit, \$480 from the City of Hillsdale, \$5,368 from the City of Kalamazoo, \$11,451 from the City of River Rouge, \$2,194 from the City of Traverse City, \$397,250 from Wayne County, \$159 from Hillsdale County, \$1,306 from Kalamazoo County, and \$984 from Grand Traverse County. The average estimated tax savings

per homestead in 2015 amounted to \$369 for City of Detroit residents, \$639 for City of Hillsdale residents, \$215 for City of Kalamazoo residents, \$121 for City of River Rouge residents and \$334 for City of Traverse City residents (see Table 3).

Enc: NEZ Activity Report

Cc: Joe Fielek, Chief Deputy Treasurer
Cindy Peruchietti, Budget Director
Larry Steckelberg, Interim Deputy Treasurer of Local Government Services
Howard Ryan, Legislative Liaison
Ed Koryzno, Director, Bureau of Local Government Services

Table 1
NEZ Homestead Exemption¹

	<u>Exemptions</u>		<u>Transfers</u>		<u>Revocations</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
City of Detroit	4,622	4,840	199	194	703	453
City of Hillsdale	1	1	0	0	0	0
City of Kalamazoo	25	31	0	2	1	0
City of River Rouge	119	121	0	0	0	3
City of Traverse City	<u>12</u>	<u>12</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>
Total	4,779	5,005	200	197	706	458

Table 2
Estimated Tax Savings from Taxing Units²

	<u>2014</u>	<u>2015</u>
City of Detroit	\$1,299,084	\$1,391,781
Wayne County	\$422,455	\$394,006
City of Hillsdale	\$485	\$480
Hillsdale County	\$161	\$159
City of Kalamazoo	\$5,174	\$5,368
Kalamazoo County	\$1,259	\$1,306
City of River Rouge	\$27,044	\$11,451
Wayne County	\$5,846	\$3,245
City of Traverse City	\$3,374	\$2,194
Grand Traverse County	<u>\$984</u>	<u>\$984</u>
Total	\$1,795,866	\$ 1,810,974

Table 3
Average Estimated Tax Savings per Homestead²

	<u>2014</u>	<u>2015</u>
City of Detroit	\$372	\$369
City of Hillsdale	\$646	\$639
City of Kalamazoo	\$257	\$215
City of River Rouge	\$276	\$121
City of Traverse City	\$334	\$334
Average for all Communities	\$370	\$362

¹ As determined from data provided by the local unit assessor's office.

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