



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE: October 12, 2015

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 - 2014 Tax Year

Attached please find the Neighborhood Enterprise Zone Homestead Exemption Report for the 2014 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 2014 tax year, there were a total of 4,779 homesteads receiving an NEZ Homestead Exemption (see Table 1). Of this total, 202 were in their first year of receiving the exemption. There were 200 exemptions that were transferred to new owners and 706 exemptions that were revoked. The total estimated tax savings realized by the homeowners was \$1,765,866 (see Table 2), which includes \$1,299,084 from the City of Detroit, \$485 from the City of Hillsdale, \$5,174 from the City of Kalamazoo, \$27,044 from the City of River Rouge, \$3,374 from the City of Traverse City, \$428,300 from Wayne County, \$161 from Hillsdale County, \$1,259 from Kalamazoo County, and \$984 from Grand Traverse County. The average estimated tax savings

per homestead in 2014 amounted to \$372 for City of Detroit residents, \$646 for City of Hillsdale residents, \$257 for City of Kalamazoo residents, \$276 for City of River Rouge residents and \$334 for City of Traverse City residents (see Table 3).

Enc: NEZ Activity Report

Cc: Tom Saxton, Chief Deputy Treasurer
Wayne Workman, Deputy Treasurer of Local Government Services
Howard Ryan, Legislative Liaison
Ed Koryzno, Director, Bureau of Local Government Services
Larry Steckelberg, Administrator, Property Services Division
Cindy Peruchietti, Director, Budget Division

Table 1
NEZ Homestead Exemption¹

	<u>Exemptions</u>		<u>Transfers</u>		<u>Revocations</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
City of Detroit	5,710	4,622	540	199	4	703
City of Hillsdale	2	1	0	0	0	0
City of Kalamazoo	25	25	0	0	1	1
City of River Rouge	119	119	0	0	2	0
City of Traverse City	<u>11</u>	<u>12</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>2</u>
Total	5,867	4,779	540	200	7	706

Table 2
Estimated Tax Savings from Taxing Units²

	<u>2013</u>	<u>2014</u>
City of Detroit	\$1,841,657	\$1,299,084
Wayne County	\$532,901	\$422,455
City of Hillsdale	\$1,151	\$485
Hillsdale County	\$382	\$161
City of Kalamazoo	\$5,198	\$5,174
Kalamazoo County	\$1,235	\$1,259
City of River Rouge	\$37,584	\$27,044
Wayne County	\$8,124	\$5,846
City of Traverse City	\$2,571	\$3,374
Grand Traverse County	<u>\$1,152</u>	<u>\$984</u>
Total	\$2,431,955	\$1,765,866

Table 3
Average Estimated Tax Savings per Homestead²

	<u>2013</u>	<u>2014</u>
City of Detroit	\$416	\$372
City of Hillsdale	\$767	\$646
City of Kalamazoo	\$257	\$257
City of River Rouge	\$384	\$276
City of Traverse City	\$334	\$334
Average for all Communities	\$415	\$370

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.