



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

R. KEVIN CLINTON
STATE TREASURER

DATE: December 16, 2014

TO: Senator Roger Kahn, M.D., Chairperson Senate Appropriations Committee
Representative Joe Haveman, 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: Kelli Sobel, Executive Director
Michigan State Tax Commission

SUBJECT: Neighborhood Enterprise Zone Homestead Exemption Report - 2013 Tax Year

Attached please find the Neighborhood Enterprise Zone Homestead Exemption Report for the 2013 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 2013 tax year, there were a total of 5,867 homesteads receiving an NEZ Homestead Exemption (see Table 1). Of this total, 6 were in their first year of receiving the exemption. There were 540 exemptions that were transferred to new owners and 7 exemptions that were revoked. The total estimated tax savings realized by the homeowners was \$2,431,955 (see Table 2), which includes \$1,841,657 from the City of Detroit, \$1,151 from the City of Hillsdale, \$5,198 from the City of Kalamazoo, \$37,584 from the City of River Rouge, \$2,571 from the City of Traverse City, \$541,025 from Wayne County, \$382 from Hillsdale County, \$1,235 from Kalamazoo County, and \$1,152 from Grand Traverse County. The average estimated tax

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savings per homestead in 2013 amounted to \$416 for City of Detroit residents, \$767 for City of Hillsdale residents, \$257 for City of Kalamazoo residents, \$384 for City of River Rouge residents and \$334 for City of Traverse City residents (see Table 3).

Enc: NEZ Activity Report

Cc: Cindy Peruchietti, Director, Budget Division
Larry Steckelberg, Acting Administrator, Property Services Division

Neighborhood Enterprise Zone Homestead Exemption Report - 2013 Tax Year

Table 1
NEZ Homestead Exemption¹

	<u>Exemptions</u>		<u>Transfers</u>		<u>Revocations</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
City of Detroit	5,220	5,710	696	540	1,616	4
City of Hillsdale	1	2	0	0	0	0
City of Kalamazoo	20	25	0	0	1	1
City of River Rouge	125	119	0	0	0	2
City of Traverse City	<u>11</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	5,377	5,867	696	540	1,617	7

Table 2
Estimated Tax Savings from Taxing Units²

	<u>2012</u>	<u>2013</u>
City of Detroit	\$1,817,340	\$1,841,657
Wayne County	\$514,479	\$532,901
City of Hillsdale	\$500	\$1,151
Hillsdale County	\$166	\$382
City of Kalamazoo	\$4,403	\$5,198
Kalamazoo County	\$1,071	\$1,235
City of River Rouge	\$32,709	\$37,584
Wayne County	\$9,238	\$8,124
City of Traverse City	\$2,535	\$2,571
Grand Traverse County	<u>\$1,136</u>	<u>\$1,152</u>
Total	\$2,383,577	\$2,431,955

Table 3
Average Estimated Tax Savings per Homestead²

	<u>2012</u>	<u>2013</u>
City of Detroit	\$447	\$416
City of Hillsdale	\$666	\$767
City of Kalamazoo	\$274	\$257
City of River Rouge	\$336	\$384
City of Traverse City	<u>\$334</u>	<u>\$334</u>
Average for all Communities	\$411	\$432

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.