



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

NICK A. KHOURI
STATE TREASURER

DATE:

TO: Senator Dave Hildenbrand, Chairperson Senate Appropriations Committee
Representative Laura Cox, Chairperson House Appropriations Committee
Senator Jack Brandenburg, Chairperson Senate Finance Committee
Representative Jim Tedder, Chairperson House Tax Policy Committee
Senator Dave Hildenbrand, 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 - 2016 Tax Year

Attached please find the Neighborhood Enterprise Zone Homestead Exemption Report for the 2016 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 2016 tax year, there were a total of 4,962 homesteads receiving an NEZ Homestead Exemption (see Table 1). Of this total, 54 were in their first year of receiving the exemption. There were 264 exemptions that were transferred to new owners and 33 exemptions that were revoked. The total estimated tax savings realized by the homeowners was \$1,740,646 (see Table 2), which includes \$1,716,491 from the City of Detroit, \$640 from the City of Hillsdale, \$13,303 from the City of Kalamazoo, \$7,034 from the City of River Rouge, \$3,178 from the City of Traverse City, \$380,270 from Wayne County, \$160 from Hillsdale County, \$2,603 from Kalamazoo County, and \$984 from Grand Traverse County. The average estimated tax savings

per homestead in 2016 amounted to \$358 for City of Detroit residents, \$640 for City of Hillsdale residents, \$225 for City of Kalamazoo residents, \$78 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

Eric Scorsone, Senior Deputy Treasurer of Local Government Services

Howard Ryan, Legislative Liaison

Ed Koryzno, Director, Bureau of Local Government and School Services

Table 1
NEZ Homestead Exemption¹

	<u>Exemptions</u>		<u>Transfers</u>		<u>Revocations</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
City of Detroit	4,840	4800	194	260	453	0
City of Hillsdale	1	1	0	0	0	0
City of Kalamazoo	31	59	2	3	0	0
City of River Rouge	121	90	0	0	3	31
City of Traverse City	12	12	1	1	2	2
Total	5,005	4962	197	264	458	33

Table 2
Estimated Tax Savings from Taxing Units²

	<u>2015</u>	<u>2016</u>
City of Detroit	\$1,391,781	\$1,337,774
Wayne County	\$394,006	\$378,717
City of Hillsdale	\$480	\$480
Hillsdale County	\$159	\$160
City of Kalamazoo	\$5,368	\$10,700
Kalamazoo County	\$1,306	\$2,603
City of River Rouge	\$11,451	\$5,481
Wayne County	\$3,245	\$1,553
City of Traverse City	\$2,194	\$2,194
Grand Traverse County	\$984	\$984
Total	\$ 1,810,974	\$1,740,646

Table 3
Average Estimated Tax Savings per Homestead²

	<u>2015</u>	<u>2016</u>
City of Detroit	\$369	\$358
City of Hillsdale	\$639	\$640
City of Kalamazoo	\$215	\$225
City of River Rouge	\$121	\$78
City of Traverse City	\$334	\$334
Average for all Communities	\$362	\$351

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.