

Frequently Asked Questions
Neighborhood Enterprise Zone (NEZ) Act
(1992 PA 147, as amended)

The following frequently asked questions are provided as a service to assessors and taxpayers to better inform them about the administration of 1992 PA 147, as amended by 2022 PA 238 (effective March 28, 2023).

Note: The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

1. What is a Neighborhood Enterprise Zone (NEZ) Exemption?

Prior to 2022 PA 238, the Neighborhood Enterprise Zone Act, 1992 PA 147, as amended, provided tax exemptions for the development and rehabilitation of residential housing located within a qualified local government as defined in the Obsolete Property Rehabilitation Act (2000 PA 146). The local governmental unit (LGU) in these qualified local governments could designate areas as NEZs. Under 2022 PA 238, all townships, cities, and villages can designate an NEZ if the zone meets criteria explained in Answer 3. Only facilities located within these established NEZs are eligible for NEZ certificates. New and rehabilitated facilities applications are filed, reviewed, and approved by the LGU, but are also subject to review by the Department of Treasury. The State Tax Commission (STC) is responsible for final approval and issuance of new and rehabilitated facility certificates. Exemptions for new and rehabilitated facilities are not effective until approved by the STC. NEZ Homestead applications are filed, reviewed, and approved by the LGU.

2. Who determines when and where to establish an NEZ?

An LGU that seeks to facilitate the development and rehabilitation of residential housing may establish one or more NEZs. The LGU determines the areas to be established as an NEZ. Each NEZ must contain not less than 10 platted parcels of land that are compact and contiguous, or if located in a downtown revitalization district may contain less than 10 platted parcels if the platted parcels together contain 10 or more facilities. An NEZ or combination of NEZs containing only new facilities, rehabilitated facilities, or a combination of both shall not exceed 15% of the total acreage contained within the LGU boundaries. An NEZ or combination of NEZs containing only homestead facilities shall not exceed 10% of the total acreage contained within the LGU boundaries; provided that, if approved by the county board of commissioners or a county executive of a county that has an elected or appointed county executive, the homestead facility NEZ or combination of NEZs can contain up to 15% of the total acreage of the LGU.

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3. What is the difference between an OPRA-qualified NEZ, a Workforce Housing NEZ, and a Neighborhood Enterprise “Homestead” Zone?

An OPRA-qualified NEZ covers new facilities and/or rehabilitated facility projects designated by a qualified LGU as defined in the Obsolete Property Rehabilitation Act (OPRA), 2000 PA 146. A Workforce Housing NEZ covers new facilities and/or rehabilitated facility projects designated by a township, city or village that is not on the current list of OPRA-qualified LGUs. A Neighborhood Enterprise “Homestead” Zone can include only certain pre-existing residential property, located within a subdivision platted pursuant to state law before January 1, 1968.

For a Workforce Housing NEZ and for a Homestead NEZ not located in an OPRA-qualified LGU, the LGU must determine that both of the following are met:

- (i) The NEZ designation encourages compact development, and the neighborhood enterprise zone contains 5 or more existing residential units per acre at the time of designation.
- (ii) The NEZ is adjacent to existing development, can utilize existing infrastructure, and has access to municipal water and sewer services on at least 1 frontage.

When a Workforce Housing NEZ is created by the LGU, a resolution approving the creation of the Workforce Housing NEZ must be approved by the LGU in concordance with statutory requirements. The resolution should include:

1. Language outlining the requirement that the certificate holder for a Workforce Housing NEZ provide information each year to the LGU on which portion of the facility is occupied by “an individual, couple, family, or group of unrelated individuals with a combined adjusted household income in excess of 120% of the countywide area median income as posted by the Michigan state housing development authority...(MCL 207.773(7)).”
2. Language affirming the LGU will use the annual reporting described in (1) to adjust the specific tax for those units that exceed the income limit to “the full amount of the taxes that would be paid on that portion of the facility if the facility were not tax exempt (MCL 207.773(7)).”

4. Who can apply for an NEZ Exemption Certificate?

Unless otherwise provided by the LGU, an owner or developer must file an application for an NEZ Certificate, Form 4775, for a “new” or a “rehabilitated” facility project within an NEZ **before** a building permit is issued. If provided for by the LGU by resolution an application may be filed not later than six months following the date the building permit is issued (see MCL 207.774 for details).

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A homeowner of a principal residence within an NEZ may file an application for NEZ "Homestead" Certificate, Form 4776.

5. How do I apply for an NEZ Certificate?

An application for the NEZ Certificate can be found at the Michigan Department of Treasury website: www.michigan.gov/propertytaxexemptions.

New or Rehabilitated Facility:

The application and required attachments are filed with the LGU clerk in which the facility is located. The LGU clerk reviews the application package and if complete, submits the application package to the local governing body for approval or denial by resolution. If approved, the application package, including a copy of the LGU resolution approving the application and setting the number of years the exemption is approved, is sent by the LGU clerk to the STC for further processing. The STC, upon receiving a complete application, will take action to approve or deny the issuance of a certificate of exemption. Exemptions are not effective until approved by the STC. Until the exemption becomes effective, the building remains subject to ad valorem taxes instead of the specific tax imposed under the NEZ Act.

Following completion of the construction or rehabilitation described in the application, additional required information that must be submitted usually includes:

New Facility:

- a. A copy of the legal description of the real property with the parcel identification number of the property for each building or condominium unit being built;
- b. A clear and legible copy of the building permit, when issued;
- c. A copy of the new owner's deed showing ownership with the date it was executed and required signatures;
- d. A copy of the Certificate of Occupancy and Compliance when issued; and
- e. if the New Facility is eligible for an NEZ Certificate on the basis of being occupied as a principal residence, a copy of the Principal Residence Exemption (PRE) Affidavit (Form 2368), filed with the LGU assessor (black out Social Security Numbers).

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Rehabilitated Facility:

- a. Documentation providing the cost requirements of MCL 207.772(m);
- b. A copy of the legal description of the real property with the parcel identification number of the property for each house/condo being built or rehabilitated;
- c. A clear and legible copy of the building permit or trade permit, when issued;
- d. A copy of the new owner's deed showing ownership with the date it was executed and required signatures; and
- e. A Certificate of Occupancy and Compliance, when issued, or documentation from the local building official certifying that the building meets minimum LGU building codes.
- f. If applicable, a statement of whether the certificate holder elects that the effective date of the NEZ Certificate shall be the December 31 in the year preceding the date of the substantial completion of the rehabilitated facility.

When a facility with an existing NEZ certificate is purchased and/or transferred the certificate may be eligible for transfer to the new owner by submitting an application, Form 4775, with the revised information and a copy of the new owner's deed directly to the Department of Treasury. Additional documentation may be required.

Homestead Facility:

The application and required attachments are filed with the LGU clerk in which the facility is located. The LGU clerk reviews the application package and if complete, submits the application package to the local governing body for approval or denial by resolution. If "approved," the application package, including a copy of the LGU resolution approving the application and setting the number of years for exemption, is sent by the LGU clerk to the LGU assessor for further processing. The LGU assessor, upon receiving a complete application, will take action to approve or deny the issuance of a certificate of exemption. Exemptions are not effective until approved by the LGU assessor.

Additional required attachments include:

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- a. A copy of the legal description of the real property with the parcel identification number; and
- b. A copy of the Warranty Deed or Document of Conveyance.

6. Are there provisions in the application process which are time sensitive?

Yes. An application for a NEZ Certificate must be filed with the LGU clerk for a facility located in an established NEZ before a building permit is issued for the new construction or rehabilitation of the facility. In some cases, an application would still qualify despite the building permit being issued before the Form 4775 was filed (See MCL 207.774 for specific details).

7. Who determines if a facility qualifies for a NEZ Certificate?

Initially, the determination is made when the application is filed and reviewed by the LGU. However, the LGU's determination is reviewed and either approved, modified, or denied by the STC.

8. Can an application for a NEZ Certificate be denied?

Yes. An application can be denied by the LGU or STC if the applicant did not meet all of the requirements of 1992 PA 147, as amended.

9. Can a decision of the STC regarding a NEZ Certificate be appealed?

Yes. A party aggrieved by the issuance, refusal to issue, revocation, transfer or modification of an NEZ exemption may appeal a final decision of the STC by filing a petition with the Michigan Tax Tribunal (MTT), within 35 days (See MCL 205.735a(6) and www.michigan.gov/taxtrib for specific details).

10. What is the term of an NEZ Exemption Certificate?

New, rehabilitated, and homestead facilities may receive a term of exemption from 6-15 years.

“Rehabilitated facilities in a qualified historic building” may receive a term of exemption from 11-17 years. However, if all or a portion of the rehabilitated facility in a qualified historic building is not transferred or sold to a person who will utilize the facility as his/her principal residence within 12 years of the effective date of the NEZ Certificate, the certificate is revoked.

11. What determines the starting date of an NEZ Certificate for “new” and “rehabilitated facilities”?

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The NEZ Certificate effective date is December 31st in the year that the new facility or rehabilitated facility is substantially completed and for a new facility approved as a principal residence, is occupied by an owner as a principal residence.

In certain circumstances, the owner of a “new facility” can request the effective date of the NEZ Certificate to be December 31st in the year immediately preceding the date of occupancy by the owner as a principal residence.

Upon the request of an owner of a “rehabilitated facility,” the effective date of the NEZ Certificate shall be December 31st in the year immediately preceding the date the rehabilitated facility is substantially completed.

12. How is the NEZ tax computed for a “rehabilitated facility”?

A parcel of property with an NEZ Certificate for a “rehabilitated facility” will have two assessments. The land will be assessed on the regular ad valorem assessment roll, while the building will have an assessment on the NEZ specific tax roll.

The property’s land assessment on the ad valorem roll may be adjusted by the March Board of Review. However, the NEZ tax roll assessment of a property with a “rehabilitated” certificate CANNOT have its assessment altered by the Board of Review during the life of the certificate.

For rehabilitated facility certificates issued after December 31, 2005:

The NEZ tax is determined by multiplying the total mills collected under the general property tax act by the taxable value of the “rehabilitated facility”, not including land, for the tax year immediately preceding the effective date of the certificate, until the last three years before the certificate expires.

During the last three years of the term of the extended certificate, the tax calculation changes to the following:

In the tax year two years before the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **five-eighths (5/8)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year one year before the certificate expires, the NEZ tax is the sum of:

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- a. the current taxable value of the facility, excluding land, multiplied by **three-fourths (3/4)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **seven-eighths (7/8)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

NOTE: For a part of a rehabilitated facility in a Workforce Housing NEZ that in the prior year was occupied by an individual, couple, family, or group of unrelated individuals with a combined adjusted household income in excess of 120% of the countywide area median income as posted by the Michigan State Housing Development Authority on its website, the specific tax paid in lieu of taxes for the year for that part of the facility must be equal to the full amount of the taxes that would be paid on that portion of the facility if the facility were not tax exempt.

13. How is the NEZ Tax computed for a “new facility”?

A parcel of property with an NEZ Certificate for a “new facility” will have two assessments. The land will be assessed on the regular ad valorem assessment roll, while the building will have an assessment on the NEZ specific tax roll.

Both the property’s land assessment on the ad valorem roll and the NEZ tax roll assessment of a property with a “new facility” certificate may be adjusted by the March Board of Review.

For new facility certificates issued after December 31, 2005:

The NEZ tax is determined by multiplying one-half (1/2) the PRE state average mills levied in this state in the immediately preceding calendar year by the taxable value of the “new facility,” not including land, until the last three years before the certificate expires.

During the last three years of the term of the extended certificate, the tax calculation changes to the following:

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In the tax year two years before the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **five-eighths (5/8)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year one year before the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **three-fourths (3/4)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **seven-eighths (7/8)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

NOTE: For a part of a new facility in a Workforce Housing NEZ that in the prior year was occupied by an individual, couple, family, or group of unrelated individuals with a combined adjusted household income in excess of 120% of the countywide area median income as posted by the Michigan State Housing Development Authority on its website, the specific tax paid in lieu of taxes for the year on that part of the facility must be equal to the full amount of the taxes that would be paid on that portion of the facility if the facility were not tax exempt.

14. How is the NEZ tax computed for a “Homestead facility?”

The NEZ tax for a “homestead facility” NEZ Certificate (issued for a term of 6-15 years), except for the last three years in which the certificate is in effect, is the sum of:

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- a. the current taxable value of the facility, excluding land, multiplied by **one-half (1/2)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

During the last three years of the certificate, the tax calculation changes to the following:

In the tax year two years before the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **five-eighths (5/8)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year one year before the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **three-fourths (3/4)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

In the tax year the certificate expires, the NEZ tax is the sum of:

- a. the current taxable value of the facility, excluding land, multiplied by **seven-eighths (7/8)** the number of mills levied by the LGU and the county for operating purposes (excluding debt), plus
- b. the taxable value of the facility, excluding land, multiplied by the remaining total mills levied as ad valorem taxes.

NOTE: For a part of a homestead facility in an LGU that is not an OPRA-qualified LGU that in the prior year was occupied by an individual, couple, family, or group of unrelated individuals with a combined adjusted household income in excess of 120% of the countywide area median income as posted by the Michigan State Housing Development Authority on its website, the specific tax paid in lieu of taxes for the year for that part of the facility must be equal to the

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full amount of the taxes that would be paid on that portion of the facility if the facility were not tax exempt.

15. How many tax bills will I receive?

In both July and December, you will receive two tax bills: one for the structure with the NEZ Certificate with tax calculated based upon the NEZ specific tax, and one for the land with tax calculated at the full ad valorem millage rate.

16. What are the different types of NEZ Certificates?

There are three types of NEZ Certificates:

“New facility” is an exemption for a new structure or portion of a new structure, the primary purpose of which is residential housing which will be occupied by its owner as his/her principal residence, certain apartment buildings in qualified downtown revitalization districts, and certain model homes and model condominium units.

“Rehabilitated facility” is an exemption for an existing structure or a portion of an existing structure, the primary purpose is residential housing which can be owner or non-owner occupied, meeting specific requirements for improvement investment and true cash value.

“Homestead facility” is an exemption for an existing structure, purchased by or transferred to an owner after December 31, 1997, the primary purpose of which is residential housing occupied by the owner as his/her principal residence and is located within a subdivision platted pursuant to state law before January 1, 1968.

17. Are minimum investments for improvements required?

New facilities have no minimum or maximum investment required.

Rehabilitated facilities, for an existing structure with a current true cash value (TCV) of \$120,000 or less per unit (adjusted for inflation), a minimum investment (all adjusted for inflation) is required:

- a. if the rehabilitation is completed by a contractor, \$10,000 per owner-occupied unit or 50% of the TCV, whichever is less, or \$15,000 per non-owner-occupied unit or 50% of the TCV, whichever is less; and
- b. if the improvements are completed by the owner, \$3,000 per owner-occupied unit or \$4,500 per non-owner-occupied unit.

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Homestead facilities require an owner committed to investing a minimum of \$500 in the first 3 years of the term of the certificate.

18. Can the ending date of an NEZ Certificate be changed after it is issued by the STC?

Yes. An NEZ Certificate must be issued by the STC for the number of years granted by the local governmental unit's resolution of approval. The Property Services Division staff determines the ending date of a certificate by the language in the LGU resolution approving the application. If an NEZ Certificate was issued before January 1, 2006, the LGU may, by resolution, extend the certificate for an additional 3 years, up to a maximum of 15 years (or 17 years for a rehabilitated facility in a qualified historic building), before the original certificate expires.

19. Can I get a refund for a portion of the prior year's taxes that I have already paid after I get an NEZ Certificate?

Perhaps. The "new" or "rehabilitated" type certificate may be issued for a previous tax year. Check with the LGU to ascertain if a refund is due.

The answer is NO for "homestead" certificates as the effective date begins December 31st of the year in which the certificate is approved and does not exempt previous tax years.

20. What happens when an incomplete application for an NEZ Certificate is received?

For new and rehabilitated facilities, the applicant will be contacted to submit the required items. If the required items are not submitted within 30 days, the application may be dismissed as inactive.

21. If I have an existing home, a newly-built home, or a recently rehabilitated home in an NEZ, but have never applied for an exemption, will my home qualify?

Perhaps. For eligibility of homestead facilities, check with the LGU. For eligibility of new or rehabilitated facilities, check with the Property Services Division.

22. Is there a limit on the amount of time that an applicant can take to complete a project?

Yes. MCL 207.781 states that a certificate shall expire if, as to NEZ certificates issued prior to 2017, the owner fails to complete the filing requirements under Section 10 within 2 years of the date the certificate was issued or, as to NEZ

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certificates issued after 2016, the owner fails to complete the filing requirements under Section 10 within 3 years of the date the certificate was issued. The holder of the certificate may request in writing to the STC by no later than 1 year after the applicable filing deadline, a 1-year automatic extension of the 2-year or 3-year deadline if the owner has proceeded in good faith with the construction or rehabilitation of the facility in a manner consistent with the purposes of this act and the delay in completion or occupancy by an owner is due to circumstances beyond the control of the holder of the certificate. In addition, an additional 180-day extension of the filing deadline may be requested within one year of the deadline in the case of an NEZ certificate issued prior to March 23, 2020. Upon the request of the governing body of the LGU, the deadline shall be extended for a new facility that has not been occupied. The certificate holder will receive notice of the expiration date when the certificate has been approved, but before the Section 10 requirements are met.

23. I received a notice that my NEZ Certificate was approved but has been held in abeyance. What does that mean?

Upon initial review of the application and the supporting documentation, the STC may approve the issuance of an NEZ certificate subject to the subsequent submission of additional documentation demonstrating compliance with the requirements of Section 10 by no later than the deadlines described in Question 22. Upon the STC's approval of the submitted additional documentation, the STC will direct that the facility be added to the NEZ tax rolls.

24. Can an NEZ Certificate be transferred to a new owner?

Yes. If the homestead, new, or rehabilitated facility is sold or transferred to another owner who otherwise complies with the requirements of the act and, for a homestead or new facility qualified on the basis of being a principal residence, uses the facility as a principal residence, the certificate shall remain in effect.

A transfer of the certificate for a "new" or "rehabilitated facility", for the term remaining on the certificate, is initiated by filing Form 4775 with the Property Services Division. Transfers of certificates for "Homestead facilities" are handled by the LGU.

25. Can an NEZ Certificate be revoked? If yes, who holds the authority to do so?

Yes. An NEZ Certificate may be revoked if one of the following occurs:

- a. Written request is made to the STC (via certified mail) by the holder of the certificate;

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- b. The certificate for a “homestead facility” or a “new facility” qualified on the basis of being a principal residence is automatically revoked if the facility is no longer occupied by the owner as their principal residence.
- c. Delinquent taxes on either the NEZ tax or the ad valorem property tax.
- d. The “homestead”, “new” or “rehabilitated” facility ceases to have residential housing as its primary purpose.
- e. Noncompliance of local governmental unit’s local construction, building or safety codes.

26. When does the revocation of an NEZ Certificate take effect?

In most cases, the revocation of an NEZ Certificate is effective the December 31st of the year in which the STC revoked the certificate. However, if the certificate is automatically revoked because the homestead facility or new facility is no longer a homestead, the revocation is effective December 31st following the automatic revocation.

27. What is required of the LGU regarding the yearly status reporting of NEZ Homestead Certificates to the STC?

Not later than June 15th of each year, each qualified LGU granting NEZ Homestead Certificates shall report to the STC on the status of each exemption. The report must include the number of certificates issued, the date of issuance of each certificate, the name and address of the holder of each certificate, the legal description of the real property of the homestead facility for which each certificate was issued, and the taxable value for each homestead facility for which a certificate was issued. For each certificate that was transferred, the report must include the date of each transfer, the name and address of the former holder of the certificate, and the name and address of the current holder of the certificate. For each certificate that was revoked pursuant to Section 11, the report must include the reason for the revocation, the date of the revocation, and the name and address of the holder of each certificate that was revoked. The report must also contain the impact on neighborhood revitalization in the LGU, including the estimated tax savings for all new and current certificate holders.

28. Are there any other parties I may wish to notify after I receive the NEZ Certificate?

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1. Your mortgage company if your taxes are escrowed. The LGU treasurer's office to request their refund process, if applicable (new or rehabilitated facilities).
2. The county treasurer's office to verify the parcel identification numbers, verify that the land on the ad valorem tax roll and the residence on the NEZ specific tax roll have been adjusted and that the taxes have been paid in full.

29. Where can I obtain copies of previously issued NEZ Exemption Certificates?

Copies of certificates acted upon by the STC after January 1, 2013, are available on the Department of Treasury website at: www.michigan.gov/propertytaxexemptions. Choose the exemption program under which the certificate was issued. Within the "Certificate Activity" link, the certificates are listed according to the date they were acted upon.

30. Can parking improvements be included within a NEZ Certificate Application and are they eligible to receive the exemption benefits?

If the NEZ facility has parking improvements, these improvements can only receive the NEZ benefit if they are part of the same parcel as the facility. If the parking improvements are on a separate parcel, they are taxed on the ad valorem roll and do not receive the NEZ benefit.

Whether or not parking improvements are included on the main facility parcel, can be confirmed by the local governmental unit assessor.

31. For a facility not located in an OPRA-qualified LGU and occupied in part by a household with income over the limit described in answers 12 - 14, how is the required increase in the specific tax calculated?

For facilities not located in an OPRA-qualified LGU, the local assessor is required to prorate the facility's taxable value to each housing unit. The facility's owner/manager is required annually to report to the assessor which of the facility's housing units are occupied by households with combined adjusted household income at or below 120% of the countywide area median income as posted by the Michigan State Housing Development Authority on its website. The assessor shall sum the taxable value of the housing units at or less than the income limit and divide the total by the facility's taxable value. The assessor shall multiply the percentage of the facility's taxable value at or less than the income limit by the facility's NEZ tax and multiply the percentage of the facility's taxable value greater than the income limit by the facility's ad valorem property

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tax without the NEZ exemption. The sum of the two amounts is the facility's adjusted NEZ tax.

32. How is adjusted household income calculated?

As provided in MSHDA Rule 125.101:

(c) "Adjusted household income" means the gross annual income from all sources and before taxes or withholding of all members of a household living in a dwelling unit or housing unit after deducting all of the following:

- (i) Unusual or temporary income of any member of the household.
- (ii) Six hundred and fifty dollars for each member of the household.
- (iii) Earnings of a member of a household who is under 18 years of age or who is physically or mentally handicapped.
- (iv) Fifty percent of the income of a second adult wage earner jointly occupying the dwelling or housing unit whose individual income is less than that of the wage earner with the highest income.
- (v) The lesser of \$1,000.00 or 10% of the gross annual income.

As provided in MSHDA Rule 125.102:

(i) "Gross income," for determining eligibility, means all income derived from whatever source, as follows:

- (i) In computing gross income, all the income of the members of the household, other than minors, living in the same dwelling unit and contributing to the expenses of the household is to be considered. Gross income shall be computed without deduction for the following:
 - (A) Funds paid into a tax shelter retirement account.
 - (B) Losses attributable to a farming syndicate as described in section 464 of the internal revenue code, 26 U.S.C. §464.
 - (C) Losses attributable to any type of corporation or partnership engaged in exploring for or exploiting oil and gas resources.
 - (D) Losses attributable to any type of corporation or partnership engaged in equipment leasing.
 - (E) Losses attributable to any type of corporation or partnership engaged in holding, producing, or distributing motion picture films or video tapes.
 - (F) Child support payments made by an applicant for the benefit of the applicant's child or children.
 - (G) Alimony, separate maintenance, or similar periodic payments that an applicant is required to make to a spouse or former spouse.

(ii) Gross income shall include all of the following:

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(A) The gross amount, before any payroll deductions, of wages; salaries; all overtime earnings in excess of \$4,000.00 per annum; commissions; fees; tips; bonuses; gambling winnings; and prizes won, except for Michigan lottery winnings and prizes.

(B) The net income from the operation of a business or profession or from the rental of real or personal property. For this purpose, if the operation results in a loss, the loss may not be used to offset income generated from other sources. For this purpose, any shareholder that owns 10% or more of any outstanding class of stock in a corporation shall also be deemed to have received income in its proportionate share of net earnings not otherwise distributed in salaries or dividends.

(C) All dividends and interest, including otherwise tax-exempt interest.

(D) The full amount of periodic payments received from social security, housing assistance payments, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts.

(E) Payments in place of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay.

(F) The full amount of public assistance payments.

(G) Periodic and determinable allowances, such as alimony and separate maintenance payments received, housing allowances received, and regular contributions or gifts received from persons who do not reside in the dwelling, if such sums are received on a recurrent basis and if such sums may be reasonably expected to continue.

(H) The distributive share of partnership income.

(I) All capital gains.

(J) Child support payments received by an applicant for the benefit of the applicant's child or children.

(iii) Gross income does not include any of the following:

(A) Casual, sporadic, or irregular gifts.

(B) Amounts that are specifically for, or in reimbursement of, the cost of medical expenses.

(C) Lump sum additions to household assets, such as inheritances; insurance payments, including payments under health and accident insurance; worker's compensation; and settlements for personal or property losses.

(D) Amounts of educational scholarships paid directly to the student or to the educational institution, and veterans administration schooling benefits.

(E) Foster child care payments.

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Neighborhood Enterprise Zone (NEZ) Act
(1992 PA 147, as amended)

(F) The value of coupon allotments for the purchase of food pursuant to the food stamp act of 1977, 7 U.S.C. §§2011 to 2027, which is in excess of the amount actually charged the eligible household.

(G) Overtime earnings of \$4,000.00 or less per annum.