

**SUBSTITUTE FOR
SENATE BILL NO. 54**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.713) by adding sections 266a and 676.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 **Sec. 266a. (1) Subject to the limitations under this section,**
2 **a qualified taxpayer with a certificate of completed rehabilitation**
3 **issued pursuant to subsection (4) after December 31, 2020 and**
4 **before January 1, 2031 may credit against the tax imposed by this**
5 **part the amount determined pursuant to subsection (2) for the**
6 **qualified expenditures for the rehabilitation of a historic**
7 **resource pursuant to the rehabilitation plan in the year in which**
8 **the certificate of completed rehabilitation of the historic**
9 **resource is issued. The qualified taxpayer shall initially claim a**



1 credit under this section within 5 years after the certificate of
2 completed rehabilitation is issued pursuant to subsection (4). If
3 the credit is not initially claimed within 5 years after the
4 certificate is issued, the certificate is no longer valid and the
5 qualified taxpayer is no longer eligible to claim a credit under
6 this section for that rehabilitation plan. Only those expenditures
7 that are paid or incurred during the time periods prescribed for
8 the credit under section 47(a)(2) of the internal revenue code and
9 any related treasury regulations shall be considered qualified
10 expenditures.

11 (2) Subject to the limitations under this section, a qualified
12 taxpayer that has claimed and received a credit for qualified
13 expenditures under section 47(a)(2) of the internal revenue code or
14 has entered into an agreement under subsection (10) may claim a
15 credit under this section equal to 25% of the qualified
16 expenditures that are eligible, or would have been eligible except
17 that the qualified taxpayer entered into an agreement under
18 subsection (10), for the credit under section 47(a)(2) of the
19 internal revenue code or, if the qualified taxpayer is not eligible
20 for the credit under section 47(a)(2) of the internal revenue code,
21 25% of the qualified expenditures that would qualify under section
22 47(a)(2) of the internal revenue code except that the expenditures
23 are made to a historic resource that is not eligible for the credit
24 under section 47(a)(2) of the internal revenue code.

25 (3) To be eligible for the credit under this section, a person
26 shall submit an application and a rehabilitation plan to the state
27 historic preservation office. Completed applications must be
28 considered in the order in which the office received the completed
29 applications and approved or denied within 120 days of receipt of



1 the completed applications. If the office determines that the
2 application is complete and the rehabilitation plan meets the
3 criteria for a credit under this section, the office shall issue a
4 preapproval letter to the applicant that states that the
5 rehabilitation plan qualifies for the credit under this section and
6 the maximum total amount of the credit reserved for which a credit
7 may be claimed when the project is complete and a certificate of
8 completed rehabilitation is issued for qualified expenditures
9 pursuant to that rehabilitation plan. If an application is denied
10 under this subsection, the applicant may file an appeal in a form
11 and manner as prescribed by the office or subsequently reapply for
12 the same rehabilitation plan or for another rehabilitation plan, or
13 both. Subject to the limitations under this section, the total of
14 all credits reserved under preapproval letters for rehabilitation
15 plans approved under this section and section 676 shall not exceed
16 \$5,000,000.00 per calendar year. To the extent the office receives
17 applications for the rehabilitation of small nonresidential
18 historic resources for credits in excess of \$2,000,000.00, not less
19 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be
20 approved for small nonresidential historic resources. To the extent
21 the office receives applications for the rehabilitation of large
22 nonresidential historic resources for credits in excess of
23 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
24 each calendar year shall be approved for large nonresidential
25 historic resources. To the extent the office receives applications
26 for the rehabilitation of residential historic resources for
27 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of
28 the \$5,000,000.00 each calendar year shall be approved for
29 residential historic resources. The office shall not issue a



1 preapproval letter or certificate of completed rehabilitation that
2 authorizes a qualified taxpayer to claim a credit of more than
3 \$2,000,000.00 in a single tax year for the same historic resource.
4 If, for any calendar year, the office issues preapproval letters
5 and reserves the maximum amount of tax credits allowed under this
6 section for that calendar year, the office shall notify all
7 applicants who have submitted completed applications and
8 rehabilitation plans then awaiting approval or submitted for
9 approval after the calculation is made that no additional
10 preapproval letters for rehabilitation plans will be issued during
11 that calendar year. The office shall also notify those applicants
12 of the priority number given to the applicant's application and
13 rehabilitation plan awaiting approval. The applications and plans
14 will remain in priority status for 2 years from the date of the
15 original application and plan and will be considered for approval
16 and reservation of tax credits in the priority order established in
17 this subsection in the event that additional credits become
18 available resulting from the rescission of approvals under this
19 subsection or subsection (5) and at the beginning of the next
20 calendar year. An applicant that has received a preapproval letter
21 shall commence rehabilitation, if it has not previously begun,
22 within 1 year after the issuance of the preapproval letter and
23 complete the rehabilitation plan within 8 years after the issuance
24 of the preapproval letter or the office will rescind the
25 preapproval letter and reallocate the amount of the credit reserved
26 for that rehabilitation plan. Upon completion of a rehabilitation
27 plan for which a preapproval letter was issued, the applicant shall
28 submit to the office documentation that the rehabilitation is
29 complete and the completed rehabilitation of the historic resource



1 meets the criteria under subsection (6) and either of the
2 following:

3 (a) All of the following criteria:

4 (i) The historic resource contributes to the significance of
5 the historic district in which it is located or is individually
6 listed on the National Register of Historic Places or state
7 register of historic sites.

8 (ii) Both the rehabilitation plan and completed rehabilitation
9 of the historic resource meet the federal secretary of the
10 interior's standards for rehabilitation and guidelines for
11 rehabilitating historic buildings, 36 CFR part 67.

12 (iii) All rehabilitation work has been done to or within the
13 walls, boundaries, or structures of the historic resource or to
14 historic resources located within the property boundaries of the
15 resource.

16 (b) The applicant has received certification from the national
17 park service that the historic resource's significance, the
18 rehabilitation plan, and the completed rehabilitation qualify for
19 the credit allowed under section 47(a)(2) of the internal revenue
20 code.

21 (4) The office shall verify that the rehabilitation is
22 complete and meets the criteria under subsection (3). However, if
23 the applicant is eligible for the credit allowed under section
24 47(a)(2) of the internal revenue code, additional documentation
25 that the rehabilitation is complete for the credit allowed under
26 this section is not required. Within 120 days after receiving
27 verification, in a form and manner as prescribed by the office,
28 that the rehabilitation is complete and meets the requirements of
29 subsection (3), the office shall issue a certificate of completed



1 rehabilitation to the applicant that states the rehabilitation plan
2 submitted by the applicant has been completed, the amount of
3 qualified expenditures, and the total amount of the credit allowed
4 to be claimed by a qualified taxpayer under this section. If the
5 amount of qualified expenditures incurred exceeds the amount of the
6 tax credits reserved by the preapproval letter issued under
7 subsection (3), the applicant may submit a request to the office,
8 in a form and manner as prescribed by the office, for the issuance
9 and approval of a certificate of completed rehabilitation in excess
10 of the amount initially authorized in the preapproval letter. If
11 the office determines that less than \$5,000,000.00 has been
12 reserved under preapproval letters issued for the calendar year,
13 after priority has been given to those notified under subsection
14 (3), then the office may issue a certificate of completed
15 rehabilitation in excess of the amount included in the preapproval
16 letter.

17 (5) The office may inspect a historic resource at any time
18 during the rehabilitation process and may revoke the preapproval
19 letter or the certificate of completed rehabilitation if the
20 rehabilitation was not undertaken as represented in the
21 rehabilitation plan or if unapproved alterations to the completed
22 rehabilitation are made within 5 years after the tax year in which
23 the certificate of completed rehabilitation was issued. The office
24 shall promptly notify the department of a revocation.

25 (6) Qualified expenditures for the rehabilitation of a
26 historic resource may be used to calculate the credit under this
27 section if the historic resource is 1 of the following during the
28 tax year in which a credit under this section is claimed for those
29 qualified expenditures:



1 (a) Individually listed on the National Register of Historic
2 Places or state register of historic sites.

3 (b) A contributing resource located within a historic district
4 listed on the National Register of Historic Places or the state
5 register of historic sites.

6 (c) A contributing resource located within a historic district
7 designated by a local unit pursuant to an ordinance adopted under
8 the local historic districts act, 1970 PA 169, MCL 399.201 to
9 399.215.

10 (7) A person that has been issued a certificate of completed
11 rehabilitation under subsection (4) may assign all or any portion
12 of the credit allowed under this section. A credit assignment under
13 this subsection is irrevocable and shall be made in the tax year in
14 which a certificate of completed rehabilitation is issued. A
15 qualified taxpayer may claim a portion of a credit and assign the
16 remaining amount. If the qualified taxpayer both claims and assigns
17 portions of the credit, the qualified taxpayer shall claim the
18 portion it claims in the tax year in which a certificate of
19 completed rehabilitation is issued pursuant to this section. Except
20 as otherwise provided under this subsection, an assignee may
21 subsequently assign the credit or any portion of the credit
22 assigned under this subsection to 1 or more assignees. An
23 assignment or subsequent reassignment of a credit shall be made in
24 the year the certificate of completed rehabilitation is issued. A
25 credit assignment or subsequent reassignment under this section
26 shall be made on a form prescribed by the office. The office shall
27 review and issue a completed assignment or reassignment certificate
28 to the assignee or reassignee. A credit amount assigned under this
29 subsection may be claimed against the assignee's tax liability



1 under this part or part 2. A credit amount authorized or assigned
2 to a partnership, limited liability company, or subchapter S
3 corporation under this section or section 676 may be claimed
4 against the partner's, member's, or shareholder's tax liability
5 under this part based on the partner's, member's, or shareholder's
6 proportionate share of ownership or an alternative method approved
7 by the office. An assignee or subsequent reassignee shall attach a
8 copy of the completed assignment certificate to the annual return
9 required to be filed under this part for the tax year in which the
10 assignment or reassignment is made and the assignee or reassignee
11 first claims the credit, which shall be the same tax year.

12 (8) If the credit allowed under this section for the tax year
13 and any unused carryforward of the credit allowed by this section
14 exceed the qualified taxpayer's tax liability for the tax year,
15 that portion that exceeds the tax liability for the tax year shall
16 not be refunded but may be carried forward to offset tax liability
17 in subsequent tax years for 10 years or until used up, whichever
18 occurs first. If a qualified taxpayer has an unused carryforward of
19 a credit under this section, the amount otherwise added under
20 subsection (9) to the qualified taxpayer's tax liability may
21 instead be used to reduce the qualified taxpayer's carryforward
22 under this section.

23 (9) Except as otherwise provided under subsection (10), if a
24 certificate of completed rehabilitation is revoked under subsection
25 (5) or if the historic resource is sold or disposed of less than 5
26 years after the certificate of completed rehabilitation is issued,
27 the following percentage of the credit amount previously claimed
28 relative to that historic resource shall be added back to the tax
29 liability of the qualified taxpayer that received the certificate



1 of completed rehabilitation and not the assignee in the year of the
2 revocation:

3 (a) If the revocation is less than 1 year after the
4 certificate of completed rehabilitation is issued, 100%.

5 (b) If the revocation is at least 1 year but less than 2 years
6 after the certificate of completed rehabilitation is issued, 80%.

7 (c) If the revocation is at least 2 years but less than 3
8 years after the certificate of completed rehabilitation is issued,
9 60%.

10 (d) If the revocation is at least 3 years but less than 4
11 years after the certificate of completed rehabilitation is issued,
12 40%.

13 (e) If the revocation is at least 4 years but less than 5
14 years after the certificate of completed rehabilitation is issued,
15 20%.

16 (f) If the revocation is at least 5 years or more after the
17 certificate of completed rehabilitation is issued, an addback to
18 the qualified taxpayer tax liability is not required.

19 (10) Subsection (9) shall not apply if the qualified taxpayer
20 enters into a written agreement with the office that will allow for
21 the transfer or sale of the historic resource and provides the
22 following:

23 (a) Reasonable assurance that subsequent to the transfer the
24 property will remain a historic resource during the 5-year period
25 after the certificate of completed rehabilitation is issued.

26 (b) A method that the department can recover an amount from
27 the qualified taxpayer equal to the appropriate percentage of
28 credit added back as described under subsection (9).

29 (c) An encumbrance on the title to the historic resource being



1 sold or transferred, stating that the property must remain a
2 historic resource throughout the 5-year period after the
3 certificate of completed rehabilitation is issued.

4 (d) A provision for the payment by the qualified taxpayer of
5 all legal and professional fees associated with the drafting,
6 review, and recording of the written agreement required under this
7 subsection.

8 (11) The office may impose a fee to cover the administrative
9 cost of implementing the program under this section.

10 (12) The qualified taxpayer shall attach all of the following
11 to the qualified taxpayer's annual return under this part:

12 (a) Certificate of completed rehabilitation.

13 (b) Certification of historic significance related to the
14 historic resource and the qualified expenditures used to claim a
15 credit under this section.

16 (c) A completed assignment form if the qualified taxpayer is
17 an assignee under this section or section 676 of any portion of a
18 credit allowed under that section.

19 (13) The office may promulgate rules to implement this section
20 pursuant to the administrative procedures act of 1969, 1969 PA 306,
21 MCL 24.201 to 24.328.

22 (14) The total of the credits claimed under this section and
23 section 676 for a rehabilitation project shall not exceed 25% of
24 the total qualified expenditures eligible for the credit under this
25 section for that rehabilitation project.

26 (15) The office shall submit an economic impact report that
27 includes, to the extent available, all of the following to the
28 legislature annually for the immediately preceding state fiscal
29 year:



1 (a) The fee schedule used by the office and the total amount
2 of fees collected.

3 (b) A description of each rehabilitation project for which a
4 preapproval letter was issued and for each certificate of completed
5 rehabilitation issued. The description must include the total
6 rehabilitation costs, labor hours generated, jobs added, payroll
7 added, total capital investments, gain in property value after
8 rehabilitation, and the amount of income tax and sales tax
9 generated by the rehabilitation project.

10 (c) The location of each new and ongoing rehabilitation
11 project.

12 (16) As used in this section:

13 (a) "Contributing resource" means a historic resource that
14 contributes to the significance of the historic district in which
15 it is located.

16 (b) "Detroit Consumer Price Index" means the most
17 comprehensive index of consumer prices available for the Detroit
18 area from the United States Department of Labor, Bureau of Labor
19 Statistics.

20 (c) "Historic district" means an area, or group of areas not
21 necessarily having contiguous boundaries, that contains 1 resource
22 or a group of resources that are related by history, architecture,
23 archaeology, engineering, or culture.

24 (d) "Historic resource" means a publicly or privately owned
25 historic building, structure, site, object, feature, or open space
26 located within a historic district designated by the National
27 Register of Historic Places, the state register of historic sites,
28 or a local unit acting under the local historic districts act, 1970
29 PA 169, MCL 399.201 to 399.215; or that is individually listed on



1 the state register of historic sites or National Register of
2 Historic Places.

3 (e) "Large nonresidential historic resource" means a nonowner-
4 occupied, income producing historic resource that has a
5 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
6 more.

7 (f) "Local unit" means a county, city, village, or township.

8 (g) "Long-term lease" means a lease term of at least 27.5
9 years for a residential resource or at least 31.5 years for a
10 nonresidential resource.

11 (h) "Open space" means undeveloped land, a naturally
12 landscaped area, or a formal or man-made landscaped area that
13 provides a connective link or a buffer between other resources.

14 (i) "Qualified expenditures" means capital expenditures that
15 qualify, or would qualify except that the qualified taxpayer
16 entered into an agreement under subsection (10), for a
17 rehabilitation credit under section 47(a)(2) of the internal
18 revenue code if the qualified taxpayer is eligible for the credit
19 under section 47(a)(2) of the internal revenue code or, if the
20 applicant is not eligible for the credit under section 47(a)(2) of
21 the internal revenue code, the qualified expenditures that would
22 qualify under section 47(a)(2) of the internal revenue code except
23 that the expenditures are made to a historic resource that is not
24 eligible for the credit under section 47(a)(2) of the internal
25 revenue code, that were paid. Qualified expenditures do not include
26 capital expenditures for nonhistoric additions to a historic
27 resource except an addition that is required by state or federal
28 regulations that relate to historic preservation, safety, or
29 accessibility.



1 (j) "Qualified taxpayer" means a person that is an assignee
2 under this section or section 676 or that either owns the resource
3 to be rehabilitated or has a long-term lease agreement with the
4 owner of the historic resource and that has qualified expenditures
5 for the rehabilitation of the historic resource that satisfies
6 either of the following:

7 (i) For the rehabilitation of a residential historic resource,
8 qualified expenditures equal to or greater than \$1,000.00. The
9 \$1,000.00 amount must be annually adjusted for inflation using the
10 Detroit Consumer Price Index.

11 (ii) For the rehabilitation of a historic resource that is not
12 a residential historic resource, qualified expenditures equal to or
13 greater than 10% of the state equalized valuation of the property.
14 If the historic resource to be rehabilitated is a portion of a
15 historic or nonhistoric resource, the state equalized valuation of
16 only that portion of the property shall be used for purposes of
17 this subparagraph. If the assessor for the local tax collecting
18 unit in which the historic resource is located determines the state
19 equalized valuation of that portion, that assessor's determination
20 shall be used for purposes of this subparagraph. If the assessor
21 does not determine that state equalized valuation of that portion,
22 qualified expenditures, for purposes of this subparagraph, shall be
23 equal to or greater than 5% of the appraised value as determined by
24 a certified appraiser. If the historic resource to be rehabilitated
25 does not have a state equalized valuation, qualified expenditures
26 for purposes of this subparagraph shall be equal to or greater than
27 5% of the appraised value of the resource as determined by a
28 certified appraiser.

29 (k) "Rehabilitation plan" means a plan for the rehabilitation



1 of a historic resource that meets the federal Secretary of the
2 Interior's standards for rehabilitation and guidelines for
3 rehabilitation of historic buildings under 36 CFR part 67.

4 (l) "Residential historic resource" means a non-income
5 producing historic resource that is an owner-occupied dwelling.

6 (m) "Small nonresidential historic resource" means a nonowner-
7 occupied, income producing historic resource that has a
8 rehabilitation plan with qualified expenditures of less than
9 \$2,000,000.00.

10 (n) "State historic preservation office" or "office" means the
11 state historic preservation office created by Executive Order No.
12 2007-53 and transferred to the Michigan strategic fund by Executive
13 Reorganization Order No. 2019-3, MCL 125.1998.

14 Sec. 676. (1) Subject to the limitations under this section, a
15 qualified taxpayer with a certificate of completed rehabilitation
16 issued pursuant to subsection (4) after December 31, 2020 and
17 before January 1, 2031 may credit against the tax imposed by this
18 part the amount determined pursuant to subsection (2) for the
19 qualified expenditures for the rehabilitation of a historic
20 resource pursuant to the rehabilitation plan in the year in which
21 the certificate of completed rehabilitation of the historic
22 resource is issued. The qualified taxpayer shall initially claim a
23 credit under this section within 5 years after the certificate of
24 completed rehabilitation is issued pursuant to subsection (4). If
25 the credit is not initially claimed within 5 years after the
26 certificate is issued, the certificate is no longer valid and the
27 qualified taxpayer is no longer eligible to claim a credit under
28 this section for that rehabilitation plan. Only those expenditures
29 that are paid or incurred during the time periods prescribed for



1 the credit under section 47(a)(2) of the internal revenue code and
2 any related treasury regulations shall be considered qualified
3 expenditures.

4 (2) Subject to the limitations under this section, a qualified
5 taxpayer that has claimed and received a credit for qualified
6 expenditures under section 47(a)(2) of the internal revenue code or
7 has entered into an agreement under subsection (10) may claim a
8 credit under this section equal to 25% of the qualified
9 expenditures that are eligible, or would have been eligible except
10 that the qualified taxpayer entered into an agreement under
11 subsection (10), for the credit under section 47(a)(2) of the
12 internal revenue code or, if the qualified taxpayer is not eligible
13 for the credit under section 47(a)(2) of the internal revenue code,
14 25% of the qualified expenditures that would qualify under section
15 47(a)(2) of the internal revenue code except that the expenditures
16 are made to a historic resource that is not eligible for the credit
17 under section 47(a)(2) of the internal revenue code.

18 (3) To be eligible for the credit under this section, a person
19 shall submit an application and a rehabilitation plan to the state
20 historic preservation office. Completed applications must be
21 considered in the order in which the office received the completed
22 applications and approved or denied within 120 days of receipt of
23 the completed applications. If the office determines that the
24 application is complete and the rehabilitation plan meets the
25 criteria for a credit under this section, the office shall issue a
26 preapproval letter to the applicant that states that the
27 rehabilitation plan qualifies for the credit under this section and
28 the maximum total amount of the credit reserved for which a credit
29 may be claimed when the project is complete and a certificate of



1 completed rehabilitation is issued for qualified expenditures
2 pursuant to that rehabilitation plan. If an application is denied
3 under this subsection, the applicant may file an appeal in a form
4 and manner as prescribed by the office or subsequently reapply for
5 the same rehabilitation plan or for another rehabilitation plan, or
6 both. Subject to the limitations under this section, the total of
7 all credits reserved under preapproval letters for rehabilitation
8 plans approved under this section and section 266a shall not exceed
9 \$5,000,000.00 per calendar year. To the extent the office receives
10 applications for the rehabilitation of small nonresidential
11 historic resources for credits in excess of \$2,000,000.00, not less
12 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be
13 approved for small nonresidential historic resources. To the extent
14 the office receives applications for the rehabilitation of large
15 nonresidential historic resources for credits in excess of
16 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
17 each calendar year shall be approved for large nonresidential
18 historic resources. To the extent the office receives applications
19 for the rehabilitation of residential historic resources for
20 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of
21 the \$5,000,000.00 each calendar year shall be approved for
22 residential historic resources. The office shall not issue a
23 preapproval letter or certificate of completed rehabilitation that
24 authorizes a qualified taxpayer to claim a credit of more than
25 \$2,000,000.00 in a single tax year for the same historic resource.
26 If, for any calendar year, the office issues preapproval letters
27 and reserves the maximum amount of tax credits allowed under this
28 section for that calendar year, the office shall notify all
29 applicants who have submitted completed applications and



1 rehabilitation plans then awaiting approval or submitted for
2 approval after the calculation is made that no additional
3 preapproval letters for rehabilitation plans will be issued during
4 that calendar year. The office shall also notify those applicants
5 of the priority number given to the owner's application and
6 rehabilitation plan awaiting approval. The applications and plans
7 will remain in priority status for 2 years from the date of the
8 original application and plan and will be considered for approval
9 and reservation of tax credits in the priority order established in
10 this subsection in the event that additional credits become
11 available resulting from the rescission of approvals under this
12 subsection or subsection (5) and at the beginning of the next
13 calendar year. An applicant that has received a preapproval letter
14 shall commence rehabilitation, if it has not previously begun,
15 within 1 year after the issuance of the preapproval letter and
16 complete the rehabilitation plan within 8 years after the issuance
17 of the preapproval letter or the office will rescind the
18 preapproval letter and reallocate the amount of the credit reserved
19 for that rehabilitation plan. Upon completion of a rehabilitation
20 plan for which a preapproval letter was issued, the applicant shall
21 submit to the office documentation that the rehabilitation is
22 complete and the completed rehabilitation of the historic resource
23 meets the criteria under subsection (6) and either of the
24 following:

25 (a) All of the following criteria:

26 (i) The historic resource contributes to the significance of
27 the historic district in which it is located or is individually
28 listed on the National Register of Historic Places or state
29 register of historic sites.



1 (ii) Both the rehabilitation plan and completed rehabilitation
2 of the historic resource meet the federal Secretary of the
3 Interior's standards for rehabilitation and guidelines for
4 rehabilitating historic buildings, 36 CFR part 67.

5 (iii) All rehabilitation work has been done to or within the
6 walls, boundaries, or structures of the historic resource or to
7 historic resources located within the property boundaries of the
8 property.

9 (b) The applicant has received certification from the National
10 Park Service that the historic resource's significance, the
11 rehabilitation plan, and the completed rehabilitation qualify for
12 the credit allowed under section 47(a)(2) of the internal revenue
13 code.

14 (4) The office shall verify that the rehabilitation is
15 complete and meets the criteria under subsection (3). However, if
16 the applicant is eligible for the credit allowed under section
17 47(a)(2) of the internal revenue code, additional documentation
18 that the rehabilitation is complete for the credit allowed under
19 this section is not required. Within 120 days after receiving
20 verification, in a form and manner as prescribed by the office,
21 that the rehabilitation is complete and meets the requirements of
22 subsection (3), the office shall issue a certificate of completed
23 rehabilitation to the applicant that states the rehabilitation plan
24 submitted by the applicant has been completed, the amount of
25 qualified expenditures, and the total amount of the credit allowed
26 to be claimed by a qualified taxpayer under this section. If the
27 amount of qualified expenditures incurred exceeds the amount of the
28 tax credits reserved by the preapproval letter issued under
29 subsection (3), the applicant may submit a request to the office,



1 in a form and manner as prescribed by the office, for the issuance
 2 and approval of a certificate of completed rehabilitation in excess
 3 of the amount initially authorized in the preapproval letter. If
 4 the office determines that less than \$5,000,000.00 has been
 5 reserved under preapproval letters issued for the calendar year,
 6 after priority has been given to those notified under subsection
 7 (3), then the office may issue a certificate of completed
 8 rehabilitation in excess of the amount included in the preapproval
 9 letter.

10 (5) The office may inspect a historic resource at any time
 11 during the rehabilitation process and may revoke the preapproval
 12 letter or the certificate of completed rehabilitation if the
 13 rehabilitation was not undertaken as represented in the
 14 rehabilitation plan or if unapproved alterations to the completed
 15 rehabilitation are made within 5 years after the tax year in which
 16 the certificate of completed rehabilitation was issued. The office
 17 shall promptly notify the department of a revocation.

18 (6) Qualified expenditures for the rehabilitation of a
 19 historic resource may be used to calculate the credit under this
 20 section if the historic resource is 1 of the following during the
 21 tax year in which a credit under this section is claimed for those
 22 qualified expenditures:

23 (a) Individually listed on the National Register of Historic
 24 Places or state register of historic sites.

25 (b) A contributing resource located within a historic district
 26 listed on the National Register of Historic Places or the state
 27 register of historic sites.

28 (c) A contributing resource located within a historic district
 29 designated by a local unit pursuant to an ordinance adopted under



1 the local historic districts act, 1970 PA 169, MCL 399.201 to
2 399.215.

3 (7) A person that has been issued a certificate of completed
4 rehabilitation under subsection (4) may assign all or any portion
5 of the credit allowed under this section. A credit assignment under
6 this subsection is irrevocable and shall be made in the tax year in
7 which a certificate of completed rehabilitation is issued. A
8 qualified taxpayer may claim a portion of a credit and assign the
9 remaining amount. If the qualified taxpayer both claims and assigns
10 portions of the credit, the qualified taxpayer shall claim the
11 portion it claims in the tax year in which a certificate of
12 completed rehabilitation is issued pursuant to this section. Except
13 as otherwise provided under this subsection, an assignee may
14 subsequently assign the credit or any portion of the credit
15 assigned under this subsection to 1 or more assignees. An
16 assignment or subsequent reassignment of a credit shall be made in
17 the year the certificate of completed rehabilitation is issued. A
18 credit assignment or subsequent reassignment under this section
19 shall be made on a form prescribed by the office. The office shall
20 review and issue a completed assignment or reassignment certificate
21 to the assignee or reassignee. If the qualified taxpayer assigns
22 all or any portion of the credit allowed under this section to a
23 partnership, limited liability company, or subchapter S
24 corporation, then the assignees are its partners, members, or
25 shareholders based on the partner's, member's, or shareholder's
26 proportionate share of ownership or on an alternative method
27 approved by the office. A credit amount assigned under this
28 subsection may be claimed against the assignee's tax liability
29 under this part or part 1. An assignee or subsequent reassignee



1 shall attach a copy of the completed assignment certificate to the
2 annual return required to be filed under this part for the tax year
3 in which the assignment or reassignment is made and the assignee or
4 reassignee first claims the credit, which shall be the same tax
5 year.

6 (8) If the credit allowed under this section for the tax year
7 and any unused carryforward of the credit allowed by this section
8 exceed the qualified taxpayer's tax liability for the tax year,
9 that portion that exceeds the tax liability for the tax year shall
10 not be refunded but may be carried forward to offset tax liability
11 in subsequent tax years for 10 years or until used up, whichever
12 occurs first. If a qualified taxpayer has an unused carryforward of
13 a credit under this section, the amount otherwise added under
14 subsection (9) to the qualified taxpayer's tax liability may
15 instead be used to reduce the qualified taxpayer's carryforward
16 under this section.

17 (9) Except as otherwise provided under subsection (10), if a
18 certificate of completed rehabilitation is revoked under subsection
19 (5) or a historic resource is sold or disposed of less than 5 years
20 after the certificate of completed rehabilitation is issued, the
21 following percentage of the credit amount previously claimed
22 relative to that historic resource shall be added back to the tax
23 liability of the qualified taxpayer that received the certificate
24 of completed rehabilitation and not the assignee in the year of the
25 revocation:

26 (a) If the revocation is less than 1 year after the
27 certificate of completed rehabilitation is issued, 100%.

28 (b) If the revocation is at least 1 year but less than 2 years
29 after the certificate of completed rehabilitation is issued, 80%.



1 (c) If the revocation is at least 2 years but less than 3
2 years after the certificate of completed rehabilitation is issued,
3 60%.

4 (d) If the revocation is at least 3 years but less than 4
5 years after the certificate of completed rehabilitation is issued,
6 40%.

7 (e) If the revocation is at least 4 years but less than 5
8 years after the certificate of completed rehabilitation is issued,
9 20%.

10 (f) If the revocation is at least 5 years or more after the
11 certificate of completed rehabilitation is issued, an addback to
12 the qualified taxpayer tax liability is not required.

13 (10) Subsection (9) shall not apply if the qualified taxpayer
14 enters into a written agreement with the office that will allow for
15 the transfer or sale of the historic resource and provides the
16 following:

17 (a) Reasonable assurance that subsequent to the transfer the
18 property will remain a historic resource during the 5-year period
19 after the certificate of completed rehabilitation is issued.

20 (b) A method that the department can recover an amount from
21 the qualified taxpayer equal to the appropriate percentage of
22 credit added back as described under subsection (9).

23 (c) An encumbrance on the title to the historic resource being
24 sold or transferred, stating that the property must remain a
25 historic resource throughout the 5-year period after the
26 certificate of completed rehabilitation is issued.

27 (d) A provision for the payment by the qualified taxpayer of
28 all legal and professional fees associated with the drafting,
29 review, and recording of the written agreement required under this



1 subsection.

2 (11) The office may impose a fee to cover the administrative
3 cost of implementing the program under this section.

4 (12) The qualified taxpayer shall attach all of the following
5 to the qualified taxpayer's annual return required under this part,
6 if applicable, on which the credit is claimed:

7 (a) Certificate of completed rehabilitation.

8 (b) Certification of historic significance related to the
9 historic resource and the qualified expenditures used to claim a
10 credit under this section.

11 (c) A completed assignment form if the qualified taxpayer or
12 assignee has assigned any portion of a credit allowed under this
13 section or if the qualified taxpayer is an assignee of any portion
14 of a credit allowed under this section.

15 (13) The office may promulgate rules to implement this section
16 pursuant to the administrative procedures act of 1969, 1969 PA 306,
17 MCL 24.201 to 24.328.

18 (14) The total of the credits claimed under this section and
19 section 266a for a rehabilitation project shall not exceed 25% of
20 the total qualified expenditures eligible for the credit under this
21 section for that rehabilitation project.

22 (15) The office shall submit an economic impact report that
23 includes, to the extent available, all of the following to the
24 legislature annually for the immediately preceding state fiscal
25 year:

26 (a) The fee schedule used by the office and the total amount
27 of fees collected.

28 (b) A description of each rehabilitation project for which a
29 preapproval letter is issued and for each certificate of completed



1 rehabilitation issued. The description must include the total
2 rehabilitation costs, labor hours generated, jobs added, payroll
3 added, total capital investments, gain in property value after
4 rehabilitation, and the amount of income tax and sales tax
5 generated by the rehabilitation project.

6 (c) The location of each new and ongoing rehabilitation
7 project.

8 (16) As used in this section:

9 (a) "Contributing resource" means a historic resource that
10 contributes to the significance of the historic district in which
11 it is located.

12 (b) "Detroit Consumer Price Index" means the most
13 comprehensive index of consumer prices available for the Detroit
14 area from the United States Department of Labor, Bureau of Labor
15 Statistics.

16 (c) "Historic district" means an area, or group of areas not
17 necessarily having contiguous boundaries, that contains 1 resource
18 or a group of resources that are related by history, architecture,
19 archaeology, engineering, or culture.

20 (d) "Historic resource" means a publicly or privately owned
21 historic building, structure, site, object, feature, or open space
22 located within a historic district designated by the National
23 Register of Historic Places, the state register of historic sites,
24 or a local unit acting under the local historic districts act, 1970
25 PA 169, MCL 399.201 to 399.215; or that is individually listed on
26 the state register of historic sites or National Register of
27 Historic Places.

28 (e) "Large nonresidential historic resource" means a nonowner-
29 occupied, income producing historic resource that has a



1 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
2 more.

3 (f) "Local unit" means a county, city, village, or township.

4 (g) "Long-term lease" means a lease term of at least 27.5
5 years for a residential resource or at least 31.5 years for a
6 nonresidential resource.

7 (h) "Open space" means undeveloped land, a naturally
8 landscaped area, or a formal or man-made landscaped area that
9 provides a connective link or a buffer between other resources.

10 (i) "Qualified expenditures" means capital expenditures that
11 qualify, or would qualify except that the qualified taxpayer
12 entered into an agreement under subsection (10), for a
13 rehabilitation credit under section 47(a)(2) of the internal
14 revenue code if the qualified taxpayer is eligible for the credit
15 under section 47(a)(2) of the internal revenue code or, if the
16 applicant is not eligible for the credit under section 47(a)(2) of
17 the internal revenue code, the qualified expenditures that would
18 qualify under section 47(a)(2) of the internal revenue code except
19 that the expenditures are made to a historic resource that is not
20 eligible for the credit under section 47(a)(2) of the internal
21 revenue code that were paid. Qualified expenditures do not include
22 capital expenditures for nonhistoric additions to a historic
23 resource except an addition that is required by state or federal
24 regulations that relate to historic preservation, safety, or
25 accessibility.

26 (j) "Qualified taxpayer" means a person that is an assignee
27 under this section or section 266a or that either owns the resource
28 to be rehabilitated or has a long-term lease agreement with the
29 owner of the historic resource and that has qualified expenditures



1 for the rehabilitation of the historic resource that satisfies
2 either of the following:

3 (i) For the rehabilitation of a historic resource that is not a
4 residential historic resource, qualified expenditures equal to or
5 greater than 10% of the state equalized valuation of the property.
6 If the historic resource to be rehabilitated is a portion of a
7 historic or nonhistoric resource, the state equalized valuation of
8 only that portion of the property shall be used for purposes of
9 this subdivision. If the assessor for the local tax collecting unit
10 in which the historic resource is located determines the state
11 equalized valuation of that portion, that assessor's determination
12 shall be used for purposes of this subdivision. If the assessor
13 does not determine that state equalized valuation of that portion,
14 qualified expenditures, for purposes of this subdivision, shall be
15 equal to or greater than 5% of the appraised value as determined by
16 a certified appraiser. If the historic resource to be rehabilitated
17 does not have a state equalized valuation, qualified expenditures
18 for purposes of this subdivision shall be equal to or greater than
19 5% of the appraised value of the resource as determined by a
20 certified appraiser.

21 (ii) For the rehabilitation of a residential historic resource,
22 qualified expenditures equal to or greater than \$1,000.00. The
23 dollar amount established under this subparagraph must be annually
24 adjusted for inflation using the Detroit Consumer Price Index.

25 (k) "Rehabilitation plan" means a plan for the rehabilitation
26 of a historic resource that meets the federal Secretary of the
27 Interior's standards for rehabilitation and guidelines for
28 rehabilitation of historic buildings under 36 CFR part 67.

29 (l) "Residential historic resource" means a non-income



1 producing historic resource that is an owner-occupied dwelling.

2 (m) "Small nonresidential historic resource" means a nonowner-
3 occupied, income producing historic resource that has a
4 rehabilitation plan with qualified expenditures of less than
5 \$2,000,000.00.

6 (n) "State historic preservation office" or "office" means the
7 state historic preservation office created by Executive Order No.
8 2007-53 and transferred to the Michigan strategic fund by Executive
9 Reorganization Order No. 2019-3, MCL 125.1998.

