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House Bill 6203 (Substitute H-1 as reported without amendment)  
Sponsor: Representative Ed Clemente  
House Committee: New Economy and Quality of Life  
Senate Committee: Economic Development and Regulatory Reform

## **CONTENT**

The bill would amend the Obsolete Property Rehabilitation Act to do both of the following:

- Extend the deadline for granting new exemptions under the Act from December 31, 2010, to December 31, 2016.
- Make an exception to the requirement that the effective date of an exemption certificate issued under the Act is the December 31 immediately following the date the certificate is issued.

Under the Act, qualified local governmental units (often referred to as "core communities") may create obsolete property rehabilitation districts in which owners of eligible commercial property that is blighted, functionally obsolete, or contaminated can obtain property tax abatements. Eligible property undergoing rehabilitation can obtain the tax abatement for one to 12 years, if approved by the local legislative body and the State Tax Commission. Approved property then is exempt from the general property tax, and instead is subject to the obsolete properties tax, which is based on the value of the property before rehabilitation. The abatement applies to the facility and not the land.

Currently, a new exemption may not be granted under the Act after December 31, 2010, but an exemption then in effect continues until the exemption certificate expires. The bill would change the deadline for the granting of a new exemption to December 31, 2016.

In addition, under the Act, the effective date of a certificate is the December 31 immediately following the date of issuance of the certificate. Under the bill, if a qualified local governmental unit passed a resolution approving an application for an obsolete property rehabilitation exemption certificate on November 5, 2008, for a rehabilitated facility located in an obsolete property rehabilitation district established on January 29, 2003, with rehabilitation beginning on July 24, 2007, the effective date of the certificate would be December 31, 2008.

MCL 125.2786 & 125.2796

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bill would potentially lead to a reduction in local property tax revenue and school operating taxes. The amount of the reduction would depend on the value and number of obsolete properties that were certified by local officials, the State Tax Commission, and the State Treasurer to be in the program.

Date Completed: 6-16-10

Fiscal Analyst: Eric Scorsone