

Legislative Analysis



OBSOLETE PROPERTY ABATEMENT

Mary Ann Cleary, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4541 (Substitute H-1)

Sponsor: Rep. Tim Kelly

Committee: Tax Policy

Complete to 5-14-13

A SUMMARY OF HOUSE BILL 4541 AS REPORTED FROM HOUSE COMMITTEE

House Bill 4541 would amend the Obsolete Property Rehabilitation Act (MCL 125.2786) to address the effective date of an exemption certificate in an instance where certain statutory procedural requirements were not met.

Specifically, the bill appears to address a case where the legislative body of a local unit had approved an application for an exemption certificate before October 1 but the clerk of the local unit of government had failed to forward the application to the State Tax Commission before October 1 of that year. Under the bill, if the clerk had filed the application before March 30 in the next year and the State Tax Commission approved the application, then the certificate would be considered to have been issued on December 30 in the year in which the local unit approved the certificate.

The bill would also require the State Tax Commission, beginning October 1, 2013, to do all of the following for each industrial facilities exemption certificate approved or disapproved:

- Notify the office of the member of the state House of Representatives and the office of the senator who represented the geographic area where the property was located that an application has been approved or disapproved.
- Publish on its website a copy of the application for a certificate and a statement indicating whether the application for a certificate was approved or disapproved and whatever additional information the commission considered appropriate regarding the application.

BACKGROUND INFORMATION:

Under the Obsolete Property Rehabilitation Act, local units of government can create special districts in which eligible commercial property and commercial housing can obtain property tax abatements. This only applies in so-called core communities and applies only to blighted, functionally obsolete, and contaminated properties. Properties undergoing rehabilitation can obtain tax abatements for one to twelve years, if approved by the local legislative body and the State Tax Commission. Approved properties are exempt from standard property taxes and instead pay a specific tax, called the obsolete properties tax, which is based on the value of property prior to rehabilitation. The abatement applies to the facility and not the land and not, generally speaking, to personal

property. The State Treasurer can approve reductions of half of local school operating taxes and state education taxes in a limited number of cases for up to six years.

FISCAL IMPACT:

The bill would allow for a reduction in property taxes. The fiscal impact would depend on the specific characteristics of the property. Any reduction in local and state school property taxes increases School Aid Fund expenditures to make up lost local school revenue.

POSITIONS:

The Department of Treasury indicated support for the bill. (5-8-13)

The Michigan Municipal League indicated support for the bill. (5-8-13)

A representative from the Oakland Schools indicated opposition to the bill. (5-8-13)

Legislative Analyst: Chris Couch
Fiscal Analyst: Jim Stansell

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.