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House Bill 4541 (Substitute H-1 as passed by the House)

Sponsor: Representative Tim Kelly

House Committee: Tax Policy

Senate Committee: Finance

Date Completed: 6-11-13

CONTENT

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

- Require an obsolete property rehabilitation exemption certificate to be considered effective on December 30 in the year in which it was approved, if an approved application were mailed to the State Tax Commission after October 1 but before the following March 30.**
- Require the Commission to notify the legislators representing the geographic area, and publish information on its website, if an exemption certificate were approved as described above, or approved or disapproved in a situation involving an error or mistake in an application.**

The Act allows qualified local governmental units (sometimes called "core communities") to create obsolete property rehabilitation districts in which owners of eligible commercial property that is blighted, functionally obsolete, or contaminated may obtain property tax abatements. To receive an abatement, a property owner must apply to the clerk of the local unit for an obsolete property rehabilitation exemption certificate. The legislative body of the local unit, by resolution, must approve or disapprove the application within 60 days. If it is approved, the local clerk must send the application and resolution to the State Tax Commission, which must approve or disapprove the resolution within 60 days. Upon approval, the Commission must issue an exemption certificate, which exempts the facility from the general property tax and subjects it instead to the obsolete properties tax, which is based on the value of the property before rehabilitation. As a rule, an exemption certificate is effective on the December 31st after it is issued.

Under the bill, an exemption certificate would have to be considered issued on December 30 in the year in which the qualified local governmental unit approved the application, under the following circumstances:

- The local unit had approved the application before October 1 of that year.
- The clerk of the local unit failed to forward the application to the Commission before October 1, but forwarded it before March 30 of the following year.
- The Commission approved the application.

Currently, if an error or mistake in an application is discovered after the local legislative body has approved the application or the Commission has issued an exemption certificate, the applicant may submit an amended application that corrects the error or mistake. The

local legislative body and the Commission may approve or deny the amended application. If the Commission previously issued a certificate for the original application and approves the amended application, it must issue an amended certificate with the same effective date as the original certificate.

Under the bill, beginning October 1, 2013, in a situation involving an amended application or an approved application that was submitted to the Commission after October 1 but before March 30, the Commission would have to do both of the following:

- Notify the office of the member of the House of Representatives and the office of the Senator representing the geographic area where the property was located, that such an application had been approved or disapproved.
- Publish on the Commission's website a copy of the application and a statement indicating whether it was approved or disapproved, as well as whatever additional information the Commission considered appropriate regarding the application.

MCL 125.2786

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would reduce State and local unit revenue by an unknown amount. The actual amount of the reduction would depend upon the characteristics of the property affected by the bill. Any impact would reduce School Aid Fund revenue, local unit revenue, and local school district revenue. Reductions to local school district revenue would require increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

The administrative costs of the State Tax Commission within Department of Treasury would increase by an unknown amount due the requirements in the bill to notify a member of the Legislature when an obsolete property rehabilitation exemption certificate was approved or disapproved for a project in his or her district under the specified circumstances, and to post these applications on the internet with an indication whether each application was approved or disapproved.

Fiscal Analyst: Elizabeth Pratt
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.