

Legislative Analysis



OBSOLETE PROPERTY REHABILITATION ACT: EXTEND SUNSET ON ABATEMENTS TO 2026

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Senate Bill 673 as passed by the Senate

Sponsor: Sen. Ken Horn

House Committee: Tax Policy

Senate Committee: Economic Development and International Investment

Complete to 3-21-16

(Enacted as Public Act 222 of 2016)

SUMMARY:

The bill would extend the sunset on granting tax abatements under the Obsolete Property Rehabilitation Act from 2016 to 2026.

Under the Obsolete Property Rehabilitation Act (Public Act 146 of 2000), 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.

Currently, the act does not allow new exemptions to be granted after December 31, 2016. Senate Bill 673 would extend this "sunset" date to December 31, 2026. Essentially, this extends the obsolete property tax abatement program; without it, the program would end this year. (Public Act 137 of 2010 extended the sunset date from 2010 to 2016.)

FISCAL IMPACT:

To the extent that the bill extends the authority for awarding property tax exemptions beyond 2016, it would reduce local property taxes on eligible property at the discretion of local units of government and school operating property taxes at the discretion of the State Treasurer.

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