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BILL ANALYSIS

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Senate Bill 556 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Ken Horn
Committee: Economic Development and International Investment

CONTENT

The bill would amend the Commercial Rehabilitation Act to prohibit new exemptions from being granted under the Act after December 31, 2020. Currently, no new exemptions may be granted after December 31, 2015. As currently provided, an exemption in effect on the stated date would continue until the exemption certificate expired.

Under the Act, a city, village, or township may establish a commercial rehabilitation district consisting of a "qualified facility" if the county containing the district does not disapprove. The owner of a qualified facility who intends to rehabilitate it may apply for a commercial rehabilitation exemption certificate with the local government. With approval from the local governmental unit and the State Tax Commission, a qualified facility for which an exemption certificate is in effect is exempt from property taxes. However, the facility owner must pay a commercial rehabilitation tax. Certificates remain in effect for a period of time determined by the local governmental unit, as long as it does not exceed 10 years.

MCL 207.856 Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have an unknown impact on local government revenue and increase the cost of the State Tax Commission within the Department of Treasury by a minimal amount. To the extent that the designated property would be rehabilitated without the bill, the bill would reduce revenue to cities, villages, townships, and counties with commercial rehabilitation districts. If the postponement of the sunset on the designation of new commercial rehabilitation districts resulted in property rehabilitation and taxable value growth that would not otherwise occur, the local governments would receive an increase in tax revenue that would begin when the commercial rehabilitation exemption expired. The amount and timing of revenue change would depend on the decision of a city, village, or township to designate a district, county approval, the approval of the State Tax Commission, the duration of the district, and the number and value of participating properties. The net revenue to local school districts would not be changed by the bill. The State Tax Commission would have additional costs of a minimal amount to approve and report on additional commercial rehabilitation districts approved pursuant to the bill.

The Department of Treasury reported that for the 2013 tax year, there were 45 properties receiving an exemption in districts established by 28 local governments. For the 2014 tax year, this increased to 63 properties in districts established by 34 local governments.

Date Completed: 11-3-15 Fiscal Analyst: Elizabeth Pratt