Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

Telephone: (517) 373-5383
Fax: (517) 373-1986

BILL ANALYSIS

Senate Bill 556 (as introduced 10-8-15)
Sponsor: Senator Ken Horn
Committee: Economic Development and International Investment

Date Completed: 10-14-15

CONTENT

The bill would repeal Section 16 of the Commercial Rehabilitation Act, which states that no new exemptions may be granted under the Act after December 31, 2015, but an exemption then in effect will continue until the exemption certificate expires.

Under the Act, a city, village, or township, by resolution, 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. An extension may be granted to a facility owner if the certificate expires in less than 10 years. The total duration of a certificate including any extensions may not exceed 10 years after completion of the qualified facility.

The Act's definition of "qualified facility" includes the following:

-- A qualified retail food establishment or a building or group of contiguous buildings of commercial property that is 15 years old or older or has been allocated for a new markets tax credit under Section 45D of the Internal Revenue Code (26 USC 45D).
-- A building or a group of contiguous buildings, or a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, obsolete industrial property, and vacant property that, within the immediately preceding 15 years, was commercial property as defined in the Act.
-- Vacant property located in a city with a population of more than 500,000 according to the most recent Federal decennial census (Detroit), from which a previous structure has been demolished and on which commercial property is or will be newly constructed, provided an application for a certificate was filed with that city before July 1, 2010.
-- A hotel or motel that has additional meeting or convention space and that is attached to a convention and trade center that is larger than 250,000 square feet in size and is located in a county with a population of more than 1.1 million and less than 1.6 million as of the most recent Federal census (Oakland County).

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 elimination 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.

Fiscal Analyst: Elizabeth Pratt

S1516\s556sa