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BILL



ANALYSIS

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Senate Bill 673 (as introduced 12-15-15)

Sponsor: Senator Ken Horn

Committee: Economic Development and International Investment

Date Completed: 1-21-16

### **CONTENT**

**The bill would amend the Obsolete Property Rehabilitation Act to delay the deadline for granting a new exemption under the Act from December 31, 2016 to December 31, 2026.**

Currently, a new exemption may not be granted under the Act after December 31, 2016, but an exemption then in effect may continue until the exemption certificate expires. The bill would delay the deadline by 10 years.

Under the Act, a qualified local unit of government, by resolution of its legislative body, may establish an obsolete property rehabilitation district if the land within the district is either of the following:

- Obsolete property in an area characterized by obsolete commercial property or commercial housing property.
- Commercial property that is obsolete property that was owned by a qualified local governmental unit on the effective date of the Act, and subsequently conveyed to a private owner.

The owner of obsolete property may file an application for an obsolete property rehabilitation exemption certificate with the local governmental unit. With approval from the local governmental unit and State Tax Commission, a rehabilitated facility for which an obsolete property rehabilitation exemption certificate is in effect is exempt from property taxes. However, the property owner must pay an obsolete properties tax, unless the rehabilitated facility is considered a "qualified start-up business" and is exempted by the local tax collecting unit, as outlined in the Act. Certificates remain in effect for a period of time determined by the local governmental unit, as long as it does not exceed 12 years. An extension may be granted to a property owner if the certificate expires in less than 12 years. The total duration of a certificate including any extensions may not exceed 12 years after the completion of the rehabilitated facility.

The Acts defines "obsolete property" as commercial property or commercial housing property that is blighted, functionally obsolete, or a facility as defined under the Natural Resources and Environmental Protection Act. "Rehabilitated facility" means commercial property or commercial housing property that has undergone rehabilitation or is in the process of being rehabilitated.

MCL 125.2796

Legislative Analyst: Drew Krogulecki

## **FISCAL IMPACT**

The bill would have an unknown impact on local government and School Aid Fund revenue. If the postponement of the sunset on the designation of new obsolete property rehabilitation districts resulted in taxable value growth that would not otherwise occur, participating local governments and the School Aid Fund would receive an increase in tax revenue that would begin when an obsolete property rehabilitation certificate expired. The amount and timing of revenue change would depend on the decision of an eligible city, village, or township to designate a district, the specific characteristics and value of the rehabilitation project, the duration of an exemption certification, and the approval of an exemption certificate by the local governing body and the State Tax Commission. The School Aid Fund impact would depend on the decision of the State Treasurer on whether to grant an exemption for up to six years from half of the local school operating millage and half of the State Education Tax. The State Treasurer is limited to granting not more than 25 such exclusions each year.

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.