

# Legislative Analysis

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## REVOCATION OPTION FOR CERTAIN ECONOMIC DEVELOPMENT CERTIFICATES

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**House Bill 5435 as introduced**  
**Sponsor: Rep. Eric Leutheuser**

**House Bill 5436 as introduced**  
**Sponsor: Rep. Ben Frederick**

**Committee: Commerce and Trade**  
**Complete to 2-12-18**

### SUMMARY:

House Bill 5435 would amend the Commercial Rehabilitation Act to introduce a procedure for a certificate holder to revoke, and potentially have reinstated, a commercial rehabilitation exemption certificate. (MCL 207.852)

House Bill 5436 would make identical changes to the Obsolete Property Rehabilitation Act regarding an obsolete property rehabilitation exemption certificate. (MCL 125.2792)

Currently under each act, the legislative body of the qualified local governmental unit can revoke a certificate if it finds that the project has not occurred within the time authorized or that the holder has not proceeded in good faith with the project.

A certificate holder can also transfer and assign the certificate to a new owner, if the local governmental unit approves the transfer after application by the new owner.

Under each bill, the following would additionally apply:

- Upon receipt of a request by the holder to revoke the certificate, the legislative body would be required to do so. (The revocation could be in whole or in part, with respect to its personal property or real property component, if required.)
- Upon the request of the holder of a revoked certificate to the legislative body and the state tax commission, *or* upon the application of a subsequent owner to the legislative body to transfer the revoked exemption certificate to a subsequent owner, along with the submission to the commission of a resolution of concurrence by the legislative body, the commission could reinstate a revoked certificate for the holder or a subsequent owner that has applied for the transfer (as long as the property continued to qualify under each respective act).

### BRIEF BACKGROUND:

The Commercial Rehabilitation Act (Public Act 210 of 2005) and Obsolete Property Rehabilitation Act (Public Act 146 of 2000) contain similar provisions for the rehabilitation of commercial districts and obsolete property, respectively, in certain jurisdictions.

Generally speaking, the owner of a qualified facility or obsolete property can apply for and receive an exemption certificate. The exemption certificate allows for the exemption from ad valorem property taxes for a specific amount of time. The certificate owner instead pays a specific tax, which is generally the property's applicable mills applied to the frozen taxable value of the property before rehabilitation. School operating mills are applied and assessed on the difference between the taxable value of the property for the current tax year and the tax year prior to rehabilitation (the state treasurer can abate some school operating mills for obsolete property under certain circumstances).

**FISCAL IMPACT:**

House Bills 5435 and 5436 would have an unknown fiscal impact on state and local government. Any fiscal impact would be depend on changes to the use of the commercial rehabilitation exemption certificate or obsolete property rehabilitation exemption certificate as a result of the provisions in the bills.

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