



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

BILL



ANALYSIS

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

House Bill 5435 (Substitute S-1)
House Bill 5436 (Substitute H-2 as passed by the House)
Sponsor: Representative Eric Leutheuser (H.B. 5435)
Representative Ben Frederick (H.B. 5436)
House Committee: Commerce and Trade
Senate Committee: Commerce

Date Completed: 4-24-18

CONTENT

House Bills 5435 (S-1) and 5436 (H-2) would amend the Commercial Rehabilitation Act and the Obsolete Property Rehabilitation Act, respectively, to do the following:

- Allow the legislative body of a qualified local governmental unit to revoke a commercial rehabilitation exemption certificate or obsolete property rehabilitation exemption certificate after receiving a request for revocation by the holder of the certificate.**
- Allow the State Tax Commission to reinstate a revoked exemption certificate if certain requirements were met.**

The Acts allow a qualified local governmental unit, as defined by each Act, to establish a commercial rehabilitation district or obsolete property rehabilitation district. The owner of a qualified facility or obsolete property within the rehabilitation district may apply for a commercial rehabilitation exemption certificate or obsolete property rehabilitation exemption certificate, as applicable. (Under the Commercial Rehabilitation Act, "qualified facility" means 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 the Internal Revenue Code. The term includes a building or a group of contiguous buildings, a portion of a building or group of contiguous buildings previously used for commercial or industrial purposes, or obsolete industrial property. Under the Obsolete Property Rehabilitation Act, "obsolete property" means commercial property or commercial housing property, that is one or more of the following: a) blighted, as that term is defined in the Brownfield Redevelopment Financing Act; b) a facility, as that term is defined in Part 201 (Environmental Remediation) of the Natural Resources and Environmental Protection Act; or c) functionally obsolete.)

If the application is approved, the facility for which the rehabilitation exemption certificate is in effect, but not the land on which it is located or the personal property assessed under the General Property Tax Act, is exempt from ad valorem property taxes under the General Property Tax Act while the certificate is force. Instead, the facility is subject to a specific tax that essentially freezes the taxable value of the facility at the value in the year before the exemption certificate was granted.

The Commercial Rehabilitation Act and the Obsolete Property Rehabilitation Act allow the legislative body of the qualified local governmental unit to revoke, by resolution, a facility's

rehabilitation exemption certificate if the legislative body finds that rehabilitation of the facility has not occurred within the time specified in the certificate, or that the holder of the certificate has not proceeded in good faith with the operation of the facility in a manner consistent with the purposes of the applicable Act and in the absence of circumstances that are beyond the certificate holder's control.

Under the bills, upon receiving a request by certified mail to the legislative body of the qualified local governmental unit by the holder of a commercial or obsolete property rehabilitation exemption certificate, the legislative body, by resolution, could revoke the certificate.

The bills would allow the State Tax Commission to reinstate a revoked rehabilitation exemption certificate for the holder or a subsequent owner if the facility continued to qualify under the applicable Act, and if the either of the following applied:

- The holder of the revoked certificate submitted a request to the Commission and the legislative body of the qualified local governmental unit.
- The subsequent owner applied to the legislative body to transfer the revoked certificate to the subsequent owner.

In addition, a resolution of concurrence would have to be submitted to the Commission by the legislative body of the qualified local governmental unit in which the facility was located.

MCL 207.852 (H.B. 5435)
125.2792 (H.B. 5436)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have a negative, though likely small, fiscal impact on the State and local government. A certificate holder would presumably apply to have the certificate revoked only if that would result in the certificate holder paying less in property taxes. It is unknown how many certificate holders would take advantage of the provision. Any reduction in net property tax paid by holders of revoked certificates would reduce property tax revenue to local units of government as well as State Education Tax revenue to the School Aid Fund. The net revenue to local school districts would not be changed by the bill. Any reduction in local school district revenue from mills levied for operating purposes would be offset by increased expenditures from the School Aid Fund in order to maintain per-pupil funding guarantees.

Fiscal Analyst: Ryan Bergan

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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.