

Legislative Analysis



MODIFYING THE EFFECTIVE DATE OF CERTAIN COMMERCIAL REHABILITATION EXEMPTIONS

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House Bill 4077 (H-2) as reported from committee

Analysis available at
<http://www.legislature.mi.gov>

Sponsor: Rep. Sheldon Neeley

1st Committee: Commerce and Tourism

2nd Committee: Ways and Means

(Enacted as Public Act 44 of 2019)

Complete to 3-12-19

BRIEF SUMMARY: House Bill 4077 would amend the Commercial Rehabilitation Act to modify the effective date of certificates for commercial rehabilitation exemptions under certain circumstances.

FISCAL IMPACT: The provisions of House Bill 4077 are specific to a qualified facility within the city of Flint; therefore, the bill's fiscal impact is applicable only to the city of Flint. (See *Fiscal Information*, below, for further discussion.)

THE CONTENT OF THE BILL:

The Commercial Rehabilitation Act grants tax incentives for the rehabilitation of commercial property by freezing the taxable value for a given property in an established commercial rehabilitation district for a term of one to ten years if it is rehabilitated either as a commercial business or as a multi-family residential facility.

Under the act currently, an approved certificate for a commercial rehabilitation tax exemption is effective on December 31 following the certificate's date of issuance.

Under the bill, the effective date of a certificate whose application was approved by the legislative body of a qualified local governmental unit before October 31 of a given year but was not forwarded by the clerk of the qualified local governmental unit until after that October 31, but before October 31 of the next year, would be December 31 of the year in which the qualified local governmental unit approved the application. This provision would apply only to certificates issued by the State Tax Commission after January 1, 2018.

Finally, the bill states that it is intended to be retroactive and effective beginning December 31, 2017.

MCL 207.846 and 207.848

BACKGROUND INFORMATION:

The bill is understood to address the Ferris Wheel Building in Flint, which has been central to the city's redevelopment projects. The bill would fix a clerical error that currently prevents the building from receiving tax incentives granted by the city in order to incentivize its rehabilitation for commercial purposes.

FISCAL INFORMATION:

The provisions of House Bill 4077 are specific to a qualified facility within the city of Flint; therefore, the bill's fiscal impact is applicable only to the city of Flint. The bill would reduce city of Flint revenues by an amount equal to the difference between the property taxes paid by the qualified facility in the 2018 tax year and the specific tax that would have been paid if the qualified facility qualified under the Commercial Rehabilitation Act in tax year 2018. This difference is unknown. The bill would retroactively apply the December 31, 2017, effective date of the certificate, allowing the property tax exemption authorized under the act to begin a year early. Assuming that the approved term of the property tax exemption remained the same, the exemption would terminate a year earlier than currently authorized, which would minimize the net fiscal impact for the city.

POSITIONS:

Representatives of the following organizations testified in support of the bill:

- Department of Treasury (2-28-19)
- Ferris Wheel Building (2-21-19)
- American Federation of State, County, and Municipal Employees (AFSCME) – Council 25 (3-7-19)

Legislative Analyst: Nick Kelly
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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.