



Senate Fiscal Agency
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House Bill 4077 (Substitute H-2 as passed by the House)
Sponsor: Representative Sheldon Neeley
House Committees: Commerce and Tourism
 Ways and Means
Senate Committee: Economic and Small Business Development

Date Completed: 4-24-19

CONTENT

The bill would amend the Commercial Rehabilitation Act to modify the effective date of a commercial rehabilitation exemption certificate under certain circumstances.

The Act allows a qualified local governmental unit to establish a commercial rehabilitation district. The owner of a qualified facility within the district may apply for a commercial rehabilitation exemption certificate. (Under the 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.)

The Act describes the process for an application to be approved, which includes receiving approval from the State Tax Commission. 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 Act while the certificate is in 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.

Currently, the effective date of a certificate is the December 31 immediately following its date of issuance. Under the bill, for a certificate issued by the Commission after January 1, 2018, if the clerk of the qualified local governmental unit failed to forward an application that was approved by the legislative body of the qualified local governmental unit before October 31 of that year to the Commission before October 31 of that same year but filed it with the Commission before October 31 of the immediately succeeding year and the Commission approved that application, then the effective date of that certificate would be December 31 of the year in which the qualified local governmental unit approved the application.

The bill would be intended to be retroactive and effective beginning December 31, 2017.

MCL 207.846 & 207.848

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on the State and an indeterminate fiscal impact on affected local governments. The bill's provisions would affect any local government that approved an application for exemption before October 31 of a given year, but whose clerk filed the application with the State Tax Commission after October 31. In that case, assuming the exemption was approved by the Commission, the tax exemption would go into effect one year sooner than it would under current law. The total number of years for an exemption would be unchanged, so while an affected local unit could face either a negative or positive fiscal impact in a given year, the impact over the long term would be minimal.

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.