

Legislative Analysis



OBSOLETE PROPERTY ABATEMENT EXCEPTION

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House Bill 6108

Sponsor: Rep. Jeff Mayes

Committee: Commerce

Complete to 6-5-06

A SUMMARY OF HOUSE BILL 6108 AS INTRODUCED 5-24-06

Under the Obsolete Property Rehabilitation Act, local units of government can create special districts in which eligible commercial property and commercial housing can obtain property tax abatements. This only applies in so-called core communities and only to blighted, functionally obsolete, and contaminated properties. Properties undergoing rehabilitation can obtain a tax abatement for one to twelve years, if approved by the local legislative body and the State Tax Commission. Approved properties are exempt from standard property taxes and instead pay a specific tax, called the obsolete properties tax, which is based on the value of property prior to rehabilitation. The abatement applies to the facility and not the land and not, generally speaking, personal property.

In order for an exemption certificate to be awarded under the act, the rehabilitation of a facility must begin after the rehabilitation district has been created in order for an exemption certificate to be awarded. House Bill 6108 would amend the act (MCL 125.2788) to provide an exception to this requirement. Under the bill, a certificate could be awarded to a project where the rehabilitation of the facility occurs before the establishment of a district if one or more of the following two circumstances exist.

- The building permit for the rehabilitated facility was obtained in October 2003; the exemption certificate was granted in 2006; and the rehabilitation included adding additional stories to the facility.
- Emergency or temporary repairs or improvements were made before the establishment of the obsolete property rehabilitation district.

FISCAL IMPACT:

There is a loss of state and local property tax revenue, and an increase in State School Aid Fund (SAF) expenditures to replace the tax revenue allocated to school operating expenses. When the identity of the facility being granted this exception is known, an estimate of lost tax revenue and increased SAF expenditures may be prepared.

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