

SENATE BILL NO. 1008

April 14, 2022, Introduced by Senators IRWIN, POLEHANKI and SCHMIDT and referred to the Committee on Finance.

A bill to amend 1967 PA 281, entitled "Income tax act of 1967," by amending sections 266a and 676 (MCL 206.266a and 206.676), as added by 2020 PA 343.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 266a. (1) Subject to the limitations under this section,
2 a qualified taxpayer with a certificate of completed rehabilitation
3 issued pursuant to subsection (4) after December 31, 2020 and
4 before January 1, 2031 may credit against the tax imposed by this

1 part the amount determined pursuant to subsection (2) for the
2 qualified expenditures for the rehabilitation of a historic
3 resource pursuant to the rehabilitation plan in the year in which
4 the certificate of completed rehabilitation of the historic
5 resource is issued. The qualified taxpayer shall initially claim a
6 credit under this section within 5 years after the certificate of
7 completed rehabilitation is issued pursuant to subsection (4). If
8 the credit is not initially claimed within 5 years after the
9 certificate is issued, the certificate is no longer valid and the
10 qualified taxpayer is no longer eligible to claim a credit under
11 this section for that rehabilitation plan. Only those expenditures
12 that are paid or incurred during the time periods prescribed for
13 the credit under section 47(a)(2) of the internal revenue code and
14 any related treasury regulations shall be considered qualified
15 expenditures.

16 (2) Subject to the limitations under this section, a qualified
17 taxpayer that has claimed and received a credit for qualified
18 expenditures under section 47(a)(2) of the internal revenue code or
19 has entered into an agreement under subsection (10) may claim a
20 credit under this section equal to 25% of the qualified
21 expenditures that are eligible, or would have been eligible except
22 that the qualified taxpayer entered into an agreement under
23 subsection (10), for the credit under section 47(a)(2) of the
24 internal revenue code or, if the qualified taxpayer is not eligible
25 for the credit under section 47(a)(2) of the internal revenue code,
26 25% of the qualified expenditures that would qualify under section
27 47(a)(2) of the internal revenue code except that the expenditures
28 are made to a historic resource that is not eligible for the credit
29 under section 47(a)(2) of the internal revenue code.

1 (3) To be eligible for the credit under this section, a person
2 shall submit an application and a rehabilitation plan to the state
3 historic preservation office. Completed applications must be
4 considered in the order in which the office received the completed
5 applications and approved or denied within 120 days of receipt of
6 the completed applications. If the office determines that the
7 application is complete and the rehabilitation plan meets the
8 criteria for a credit under this section, the office shall issue a
9 preapproval letter to the applicant that states that the
10 rehabilitation plan qualifies for the credit under this section and
11 the maximum total amount of the credit reserved for which a credit
12 may be claimed when the project is complete and a certificate of
13 completed rehabilitation is issued for qualified expenditures
14 pursuant to that rehabilitation plan. If an application is denied
15 under this subsection, the applicant may file an appeal in a form
16 and manner as prescribed by the office or subsequently reapply for
17 the same rehabilitation plan or for another rehabilitation plan, or
18 both. Subject to the limitations under this section, the total of
19 all credits reserved under preapproval letters for rehabilitation
20 plans approved under this section and section 676 shall not exceed
21 \$5,000,000.00 per calendar year. To the extent the office receives
22 applications for the rehabilitation of small nonresidential
23 historic resources for credits in excess of \$2,000,000.00, not less
24 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be
25 approved for small nonresidential historic resources. To the extent
26 the office receives applications for the rehabilitation of large
27 nonresidential historic resources for credits in excess of
28 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
29 each calendar year shall be approved for large nonresidential

1 historic resources. To the extent the office receives applications
2 for the rehabilitation of residential historic resources for
3 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of
4 the \$5,000,000.00 each calendar year shall be approved for
5 residential historic resources. The office shall not issue a
6 preapproval letter or certificate of completed rehabilitation that
7 authorizes a qualified taxpayer to claim a credit of more than
8 \$2,000,000.00 in a single tax year for the same historic resource.
9 If, for any calendar year, the office issues preapproval letters
10 and reserves the maximum amount of tax credits allowed under this
11 section for that calendar year, the office shall notify all
12 applicants who have submitted completed applications and
13 rehabilitation plans then awaiting approval or submitted for
14 approval after the calculation is made that no additional
15 preapproval letters for rehabilitation plans will be issued during
16 that calendar year. The office shall also notify those applicants
17 of the priority number given to the applicant's application and
18 rehabilitation plan awaiting approval. The applications and plans
19 will remain in priority status for 2 years from the date of the
20 original application and plan and will be considered for approval
21 and reservation of tax credits in the priority order established in
22 this subsection in the event that additional credits become
23 available resulting from the rescission of approvals under this
24 subsection or subsection (5) and at the beginning of the next
25 calendar year. An applicant that has received a preapproval letter
26 shall commence rehabilitation, if it has not previously begun,
27 within 1 year after the issuance of the preapproval letter and
28 complete the rehabilitation plan within 8 years after the issuance
29 of the preapproval letter or the office will rescind the

1 preapproval letter and reallocate the amount of the credit reserved
2 for that rehabilitation plan. Upon completion of a rehabilitation
3 plan for which a preapproval letter was issued, the applicant shall
4 submit to the office documentation that the rehabilitation is
5 complete and the completed rehabilitation of the historic resource
6 meets the criteria under subsection (6) and either of the
7 following:

8 (a) All of the following criteria:

9 (i) The historic resource contributes to the significance of
10 the historic district in which it is located or is individually
11 listed on the National Register of Historic Places or state
12 register of historic sites.

13 (ii) Both the rehabilitation plan and completed rehabilitation
14 of the historic resource meet the federal secretary of the
15 interior's standards for rehabilitation and guidelines for
16 rehabilitating historic buildings, 36 CFR part 67.

17 (iii) All rehabilitation work has been done to or within the
18 walls, boundaries, or structures of the historic resource or to
19 historic resources located within the property boundaries of the
20 resource.

21 (b) The applicant has received certification from the national
22 park service that the historic resource's significance, the
23 rehabilitation plan, and the completed rehabilitation qualify for
24 the credit allowed under section 47(a)(2) of the internal revenue
25 code.

26 (4) The office shall verify that the rehabilitation is
27 complete and meets the criteria under subsection (3). However, if
28 the applicant is eligible for the credit allowed under section
29 47(a)(2) of the internal revenue code, additional documentation

1 that the rehabilitation is complete for the credit allowed under
2 this section is not required. Within 120 days after receiving
3 verification, in a form and manner as prescribed by the office,
4 that the rehabilitation is complete and meets the requirements of
5 subsection (3), the office shall issue a certificate of completed
6 rehabilitation to the applicant that states the rehabilitation plan
7 submitted by the applicant has been completed, the amount of
8 qualified expenditures, and the total amount of the credit allowed
9 to be claimed by a qualified taxpayer under this section. If the
10 amount of qualified expenditures incurred exceeds the amount of the
11 tax credits reserved by the preapproval letter issued under
12 subsection (3), the applicant may submit a request to the office,
13 in a form and manner as prescribed by the office, for the issuance
14 and approval of a certificate of completed rehabilitation in excess
15 of the amount initially authorized in the preapproval letter. If
16 the office determines that less than \$5,000,000.00 has been
17 reserved under preapproval letters issued for the calendar year,
18 after priority has been given to those notified under subsection
19 (3), then the office may issue a certificate of completed
20 rehabilitation in excess of the amount included in the preapproval
21 letter.

22 (5) The office may inspect a historic resource at any time
23 during the rehabilitation process and may revoke the preapproval
24 letter or the certificate of completed rehabilitation if the
25 rehabilitation was not undertaken as represented in the
26 rehabilitation plan or if unapproved alterations to the completed
27 rehabilitation are made within 5 years after the tax year in which
28 the certificate of completed rehabilitation was issued. The office
29 shall promptly notify the department of a revocation.

1 (6) Qualified expenditures for the rehabilitation of a
2 historic resource may be used to calculate the credit under this
3 section if the historic resource is 1 of the following during the
4 tax year in which a credit under this section is claimed for those
5 qualified expenditures:

6 (a) Individually listed on the National Register of Historic
7 Places or state register of historic sites.

8 (b) A contributing resource located within a historic district
9 listed on the National Register of Historic Places or the state
10 register of historic sites.

11 (c) A contributing resource located within a historic district
12 designated by a local unit pursuant to an ordinance adopted under
13 the local historic districts act, 1970 PA 169, MCL 399.201 to
14 399.215.

15 (7) A person that has been issued a certificate of completed
16 rehabilitation under subsection (4) may assign all or any portion
17 of the credit allowed under this section. A credit assignment under
18 this subsection is irrevocable and shall be made in the tax year in
19 which a certificate of completed rehabilitation is issued. A
20 qualified taxpayer may claim a portion of a credit and assign the
21 remaining amount. If the qualified taxpayer both claims and assigns
22 portions of the credit, the qualified taxpayer shall claim the
23 portion it claims in the tax year in which a certificate of
24 completed rehabilitation is issued pursuant to this section. Except
25 as otherwise provided under this subsection, an assignee may
26 subsequently assign the credit or any portion of the credit
27 assigned under this subsection to 1 or more assignees. An
28 assignment or subsequent reassignment of a credit shall be made in
29 the year the certificate of completed rehabilitation is issued. A

1 credit assignment or subsequent reassignment under this section
2 shall be made on a form prescribed by the office. The office shall
3 review and issue a completed assignment or reassignment certificate
4 to the assignee or reassignee. A credit amount assigned under this
5 subsection may be claimed against the assignee's tax liability
6 under this part or part 2. A credit amount authorized or assigned
7 to a partnership, limited liability company, or subchapter S
8 corporation under this section or section 676 may be claimed
9 against the partner's, member's, or shareholder's tax liability
10 under this part based on the partner's, member's, or shareholder's
11 proportionate share of ownership or an alternative method approved
12 by the office. An assignee or subsequent reassignee shall attach a
13 copy of the completed assignment certificate to the annual return
14 required to be filed under this part for the tax year in which the
15 assignment or reassignment is made and the assignee or reassignee
16 first claims the credit, which shall be the same tax year.

17 (8) If the credit allowed under this section for the tax year
18 and any unused carryforward of the credit allowed by this section
19 exceed the qualified taxpayer's tax liability for the tax year,
20 that portion that exceeds the tax liability for the tax year shall
21 not be refunded but may be carried forward to offset tax liability
22 in subsequent tax years for 10 years or until used up, whichever
23 occurs first. If a qualified taxpayer has an unused carryforward of
24 a credit under this section, the amount otherwise added under
25 subsection (9) to the qualified taxpayer's tax liability may
26 instead be used to reduce the qualified taxpayer's carryforward
27 under this section.

28 (9) Except as otherwise provided under subsection (10), if a
29 certificate of completed rehabilitation is revoked under subsection

1 (5) or if the historic resource is sold or disposed of less than 5
2 years after the certificate of completed rehabilitation is issued,
3 the following percentage of the credit amount previously claimed
4 relative to that historic resource shall be added back to the tax
5 liability of the qualified taxpayer that received the certificate
6 of completed rehabilitation and not the assignee in the year of the
7 revocation:

8 (a) If the revocation is less than 1 year after the
9 certificate of completed rehabilitation is issued, 100%.

10 (b) If the revocation is at least 1 year but less than 2 years
11 after the certificate of completed rehabilitation is issued, 80%.

12 (c) If the revocation is at least 2 years but less than 3
13 years after the certificate of completed rehabilitation is issued,
14 60%.

15 (d) If the revocation is at least 3 years but less than 4
16 years after the certificate of completed rehabilitation is issued,
17 40%.

18 (e) If the revocation is at least 4 years but less than 5
19 years after the certificate of completed rehabilitation is issued,
20 20%.

21 (f) If the revocation is at least 5 years or more after the
22 certificate of completed rehabilitation is issued, an addback to
23 the qualified taxpayer tax liability is not required.

24 (10) Subsection (9) shall not apply if the qualified taxpayer
25 enters into a written agreement with the office that will allow for
26 the transfer or sale of the historic resource and provides the
27 following:

28 (a) Reasonable assurance that subsequent to the transfer the
29 property will remain a historic resource during the 5-year period

1 after the certificate of completed rehabilitation is issued.

2 (b) A method that the department can recover an amount from
3 the qualified taxpayer equal to the appropriate percentage of
4 credit added back as described under subsection (9).

5 (c) An encumbrance on the title to the historic resource being
6 sold or transferred, stating that the property must remain a
7 historic resource throughout the 5-year period after the
8 certificate of completed rehabilitation is issued.

9 (d) A provision for the payment by the qualified taxpayer of
10 all legal and professional fees associated with the drafting,
11 review, and recording of the written agreement required under this
12 subsection.

13 (11) The office may impose a fee to cover the administrative
14 cost of implementing the program under this section.

15 (12) The qualified taxpayer shall attach all of the following
16 to the qualified taxpayer's annual return under this part:

17 (a) Certificate of completed rehabilitation.

18 (b) Certification of historic significance related to the
19 historic resource and the qualified expenditures used to claim a
20 credit under this section.

21 (c) A completed assignment form if the qualified taxpayer is
22 an assignee under this section or section 676 of any portion of a
23 credit allowed under that section.

24 (13) The office may promulgate rules to implement this section
25 pursuant to the administrative procedures act of 1969, 1969 PA 306,
26 MCL 24.201 to 24.328. **Within 120 days after the effective date of**
27 **the amendatory act that added this sentence, the office shall**
28 **establish eligibility guidelines for the certification of historic**
29 **barns that are eligible for a credit under this section.**

1 (14) The total of the credits claimed under this section and
2 section 676 for a rehabilitation project shall not exceed 25% of
3 the total qualified expenditures eligible for the credit under this
4 section for that rehabilitation project.

5 (15) The office shall submit an economic impact report that
6 includes, to the extent available, all of the following to the
7 legislature annually for the immediately preceding state fiscal
8 year:

9 (a) The fee schedule used by the office and the total amount
10 of fees collected.

11 (b) A description of each rehabilitation project for which a
12 preapproval letter was issued and for each certificate of completed
13 rehabilitation issued. The description must include the total
14 rehabilitation costs, labor hours generated, jobs added, payroll
15 added, total capital investments, gain in property value after
16 rehabilitation, and the amount of income tax and sales tax
17 generated by the rehabilitation project.

18 (c) The location of each new and ongoing rehabilitation
19 project.

20 (16) As used in this section:

21 (a) "Contributing resource" means a historic resource that
22 contributes to the significance of the historic district in which
23 it is located.

24 (b) "Detroit Consumer Price Index" means the most
25 comprehensive index of consumer prices available for the Detroit
26 area from the United States Department of Labor, Bureau of Labor
27 Statistics.

28 (c) **"Historic barn" means an agricultural structure that was**
29 **at least partially constructed before 1945, that is or was used as**

1 **an agricultural facility or for purposes related to agriculture,**
 2 **and that is certified by the office as a historic barn.**

3 (d) ~~(e)~~—"Historic district" means an area, or group of areas
 4 not necessarily having contiguous boundaries, that contains 1
 5 resource or a group of resources that are related by history,
 6 architecture, archaeology, engineering, or culture.

7 (e) ~~(d)~~—"Historic resource" means a publicly or privately
 8 owned **historic barn or a publicly or privately owned** historic
 9 building, structure, site, object, feature, or open space located
 10 within a historic district designated by the National Register of
 11 Historic Places, the state register of historic sites, or a local
 12 unit acting under the local historic districts act, 1970 PA 169,
 13 MCL 399.201 to 399.215; or that is individually listed on the state
 14 register of historic sites or National Register of Historic Places.

15 (f) ~~(e)~~—"Large nonresidential historic resource" means a
 16 nonowner-occupied, income producing historic resource that has a
 17 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
 18 more.

19 (g) ~~(f)~~—"Local unit" means a county, city, village, or
 20 township.

21 (h) ~~(g)~~—"Long-term lease" means a lease term of at least 27.5
 22 years for a residential resource or at least 31.5 years for a
 23 nonresidential resource.

24 (i) ~~(h)~~—"Open space" means undeveloped land, a naturally
 25 landscaped area, or a formal or man-made landscaped area that
 26 provides a connective link or a buffer between other resources.

27 (j) ~~(i)~~—"Qualified expenditures" means capital expenditures
 28 that qualify, or would qualify except that the qualified taxpayer
 29 entered into an agreement under subsection (10), for a

1 rehabilitation credit under section 47(a)(2) of the internal
 2 revenue code if the qualified taxpayer is eligible for the credit
 3 under section 47(a)(2) of the internal revenue code or, if the
 4 applicant is not eligible for the credit under section 47(a)(2) of
 5 the internal revenue code, the qualified expenditures that would
 6 qualify under section 47(a)(2) of the internal revenue code except
 7 that the expenditures are made to a historic resource that is not
 8 eligible for the credit under section 47(a)(2) of the internal
 9 revenue code, that were paid. Qualified expenditures do not include
 10 capital expenditures for nonhistoric additions to a historic
 11 resource except an addition that is required by state or federal
 12 regulations that relate to historic preservation, safety, or
 13 accessibility.

14 **(k)** ~~(j)~~ "Qualified taxpayer" means a person that is an
 15 assignee under this section or section 676 or that either owns the
 16 resource to be rehabilitated or has a long-term lease agreement
 17 with the owner of the historic resource and that has qualified
 18 expenditures for the rehabilitation of the historic resource that
 19 satisfies either of the following:

20 (i) For the rehabilitation of a residential historic resource,
 21 qualified expenditures equal to or greater than \$1,000.00. The
 22 \$1,000.00 amount must be annually adjusted for inflation using the
 23 Detroit Consumer Price Index.

24 (ii) For the rehabilitation of a historic resource that is not
 25 a residential historic resource, qualified expenditures equal to or
 26 greater than 10% of the state equalized valuation of the property.
 27 If the historic resource to be rehabilitated is a portion of a
 28 historic or nonhistoric resource, the state equalized valuation of
 29 only that portion of the property shall be used for purposes of

1 this subparagraph. If the assessor for the local tax collecting
 2 unit in which the historic resource is located determines the state
 3 equalized valuation of that portion, that assessor's determination
 4 shall be used for purposes of this subparagraph. If the assessor
 5 does not determine that state equalized valuation of that portion,
 6 qualified expenditures, for purposes of this subparagraph, shall be
 7 equal to or greater than 5% of the appraised value as determined by
 8 a certified appraiser. If the historic resource to be rehabilitated
 9 does not have a state equalized valuation, qualified expenditures
 10 for purposes of this subparagraph shall be equal to or greater than
 11 5% of the appraised value of the resource as determined by a
 12 certified appraiser.

13 (l) ~~(k)~~ "Rehabilitation plan" means a plan for the
 14 rehabilitation of a historic resource that meets the federal
 15 Secretary of the Interior's standards for rehabilitation and
 16 guidelines for rehabilitation of historic buildings under 36 CFR
 17 part 67.

18 (m) ~~(l)~~ "Residential historic resource" means a non-income
 19 producing historic resource that is an owner-occupied dwelling.

20 (n) ~~(m)~~ "Small nonresidential historic resource" means a
 21 nonowner-occupied, income producing historic resource that has a
 22 rehabilitation plan with qualified expenditures of less than
 23 \$2,000,000.00.

24 (o) ~~(n)~~ "State historic preservation office" or "office" means
 25 the state historic preservation office created by Executive Order
 26 No. 2007-53 and transferred to the Michigan strategic fund by
 27 Executive Reorganization Order No. 2019-3, MCL 125.1998.

28 Sec. 676. (1) Subject to the limitations under this section, a
 29 qualified taxpayer with a certificate of completed rehabilitation

1 issued pursuant to subsection (4) after December 31, 2020 and
2 before January 1, 2031 may credit against the tax imposed by this
3 part the amount determined pursuant to subsection (2) for the
4 qualified expenditures for the rehabilitation of a historic
5 resource pursuant to the rehabilitation plan in the year in which
6 the certificate of completed rehabilitation of the historic
7 resource is issued. The qualified taxpayer shall initially claim a
8 credit under this section within 5 years after the certificate of
9 completed rehabilitation is issued pursuant to subsection (4). If
10 the credit is not initially claimed within 5 years after the
11 certificate is issued, the certificate is no longer valid and the
12 qualified taxpayer is no longer eligible to claim a credit under
13 this section for that rehabilitation plan. Only those expenditures
14 that are paid or incurred during the time periods prescribed for
15 the credit under section 47(a)(2) of the internal revenue code and
16 any related treasury regulations shall be considered qualified
17 expenditures.

18 (2) Subject to the limitations under this section, a qualified
19 taxpayer that has claimed and received a credit for qualified
20 expenditures under section 47(a)(2) of the internal revenue code or
21 has entered into an agreement under subsection (10) may claim a
22 credit under this section equal to 25% of the qualified
23 expenditures that are eligible, or would have been eligible except
24 that the qualified taxpayer entered into an agreement under
25 subsection (10), for the credit under section 47(a)(2) of the
26 internal revenue code or, if the qualified taxpayer is not eligible
27 for the credit under section 47(a)(2) of the internal revenue code,
28 25% of the qualified expenditures that would qualify under section
29 47(a)(2) of the internal revenue code except that the expenditures

1 are made to a historic resource that is not eligible for the credit
2 under section 47(a)(2) of the internal revenue code.

3 (3) To be eligible for the credit under this section, a person
4 shall submit an application and a rehabilitation plan to the state
5 historic preservation office. Completed applications must be
6 considered in the order in which the office received the completed
7 applications and approved or denied within 120 days of receipt of
8 the completed applications. If the office determines that the
9 application is complete and the rehabilitation plan meets the
10 criteria for a credit under this section, the office shall issue a
11 preapproval letter to the applicant that states that the
12 rehabilitation plan qualifies for the credit under this section and
13 the maximum total amount of the credit reserved for which a credit
14 may be claimed when the project is complete and a certificate of
15 completed rehabilitation is issued for qualified expenditures
16 pursuant to that rehabilitation plan. If an application is denied
17 under this subsection, the applicant may file an appeal in a form
18 and manner as prescribed by the office or subsequently reapply for
19 the same rehabilitation plan or for another rehabilitation plan, or
20 both. Subject to the limitations under this section, the total of
21 all credits reserved under preapproval letters for rehabilitation
22 plans approved under this section and section 266a shall not exceed
23 \$5,000,000.00 per calendar year. To the extent the office receives
24 applications for the rehabilitation of small nonresidential
25 historic resources for credits in excess of \$2,000,000.00, not less
26 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be
27 approved for small nonresidential historic resources. To the extent
28 the office receives applications for the rehabilitation of large
29 nonresidential historic resources for credits in excess of

1 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
2 each calendar year shall be approved for large nonresidential
3 historic resources. To the extent the office receives applications
4 for the rehabilitation of residential historic resources for
5 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of
6 the \$5,000,000.00 each calendar year shall be approved for
7 residential historic resources. The office shall not issue a
8 preapproval letter or certificate of completed rehabilitation that
9 authorizes a qualified taxpayer to claim a credit of more than
10 \$2,000,000.00 in a single tax year for the same historic resource.
11 If, for any calendar year, the office issues preapproval letters
12 and reserves the maximum amount of tax credits allowed under this
13 section for that calendar year, the office shall notify all
14 applicants who have submitted completed applications and
15 rehabilitation plans then awaiting approval or submitted for
16 approval after the calculation is made that no additional
17 preapproval letters for rehabilitation plans will be issued during
18 that calendar year. The office shall also notify those applicants
19 of the priority number given to the owner's application and
20 rehabilitation plan awaiting approval. The applications and plans
21 will remain in priority status for 2 years from the date of the
22 original application and plan and will be considered for approval
23 and reservation of tax credits in the priority order established in
24 this subsection in the event that additional credits become
25 available resulting from the rescission of approvals under this
26 subsection or subsection (5) and at the beginning of the next
27 calendar year. An applicant that has received a preapproval letter
28 shall commence rehabilitation, if it has not previously begun,
29 within 1 year after the issuance of the preapproval letter and

1 complete the rehabilitation plan within 8 years after the issuance
2 of the preapproval letter or the office will rescind the
3 preapproval letter and reallocate the amount of the credit reserved
4 for that rehabilitation plan. Upon completion of a rehabilitation
5 plan for which a preapproval letter was issued, the applicant shall
6 submit to the office documentation that the rehabilitation is
7 complete and the completed rehabilitation of the historic resource
8 meets the criteria under subsection (6) and either of the
9 following:

10 (a) All of the following criteria:

11 (i) The historic resource contributes to the significance of
12 the historic district in which it is located or is individually
13 listed on the National Register of Historic Places or state
14 register of historic sites.

15 (ii) Both the rehabilitation plan and completed rehabilitation
16 of the historic resource meet the federal Secretary of the
17 Interior's standards for rehabilitation and guidelines for
18 rehabilitating historic buildings, 36 CFR part 67.

19 (iii) All rehabilitation work has been done to or within the
20 walls, boundaries, or structures of the historic resource or to
21 historic resources located within the property boundaries of the
22 property.

23 (b) The applicant has received certification from the National
24 Park Service that the historic resource's significance, the
25 rehabilitation plan, and the completed rehabilitation qualify for
26 the credit allowed under section 47(a)(2) of the internal revenue
27 code.

28 (4) The office shall verify that the rehabilitation is
29 complete and meets the criteria under subsection (3). However, if

1 the applicant is eligible for the credit allowed under section
2 47(a)(2) of the internal revenue code, additional documentation
3 that the rehabilitation is complete for the credit allowed under
4 this section is not required. Within 120 days after receiving
5 verification, in a form and manner as prescribed by the office,
6 that the rehabilitation is complete and meets the requirements of
7 subsection (3), the office shall issue a certificate of completed
8 rehabilitation to the applicant that states the rehabilitation plan
9 submitted by the applicant has been completed, the amount of
10 qualified expenditures, and the total amount of the credit allowed
11 to be claimed by a qualified taxpayer under this section. If the
12 amount of qualified expenditures incurred exceeds the amount of the
13 tax credits reserved by the preapproval letter issued under
14 subsection (3), the applicant may submit a request to the office,
15 in a form and manner as prescribed by the office, for the issuance
16 and approval of a certificate of completed rehabilitation in excess
17 of the amount initially authorized in the preapproval letter. If
18 the office determines that less than \$5,000,000.00 has been
19 reserved under preapproval letters issued for the calendar year,
20 after priority has been given to those notified under subsection
21 (3), then the office may issue a certificate of completed
22 rehabilitation in excess of the amount included in the preapproval
23 letter.

24 (5) The office may inspect a historic resource at any time
25 during the rehabilitation process and may revoke the preapproval
26 letter or the certificate of completed rehabilitation if the
27 rehabilitation was not undertaken as represented in the
28 rehabilitation plan or if unapproved alterations to the completed
29 rehabilitation are made within 5 years after the tax year in which

1 the certificate of completed rehabilitation was issued. The office
2 shall promptly notify the department of a revocation.

3 (6) Qualified expenditures for the rehabilitation of a
4 historic resource may be used to calculate the credit under this
5 section if the historic resource is 1 of the following during the
6 tax year in which a credit under this section is claimed for those
7 qualified expenditures:

8 (a) Individually listed on the National Register of Historic
9 Places or state register of historic sites.

10 (b) A contributing resource located within a historic district
11 listed on the National Register of Historic Places or the state
12 register of historic sites.

13 (c) A contributing resource located within a historic district
14 designated by a local unit pursuant to an ordinance adopted under
15 the local historic districts act, 1970 PA 169, MCL 399.201 to
16 399.215.

17 (7) A person that has been issued a certificate of completed
18 rehabilitation under subsection (4) may assign all or any portion
19 of the credit allowed under this section. A credit assignment under
20 this subsection is irrevocable and shall be made in the tax year in
21 which a certificate of completed rehabilitation is issued. A
22 qualified taxpayer may claim a portion of a credit and assign the
23 remaining amount. If the qualified taxpayer both claims and assigns
24 portions of the credit, the qualified taxpayer shall claim the
25 portion it claims in the tax year in which a certificate of
26 completed rehabilitation is issued pursuant to this section. Except
27 as otherwise provided under this subsection, an assignee may
28 subsequently assign the credit or any portion of the credit
29 assigned under this subsection to 1 or more assignees. An

1 assignment or subsequent reassignment of a credit shall be made in
2 the year the certificate of completed rehabilitation is issued. A
3 credit assignment or subsequent reassignment under this section
4 shall be made on a form prescribed by the office. The office shall
5 review and issue a completed assignment or reassignment certificate
6 to the assignee or reassignee. If the qualified taxpayer assigns
7 all or any portion of the credit allowed under this section to a
8 partnership, limited liability company, or subchapter S
9 corporation, then the assignees are its partners, members, or
10 shareholders based on the partner's, member's, or shareholder's
11 proportionate share of ownership or on an alternative method
12 approved by the office. A credit amount assigned under this
13 subsection may be claimed against the assignee's tax liability
14 under this part or part 1. An assignee or subsequent reassignee
15 shall attach a copy of the completed assignment certificate to the
16 annual return required to be filed under this part for the tax year
17 in which the assignment or reassignment is made and the assignee or
18 reassignee first claims the credit, which shall be the same tax
19 year.

20 (8) If the credit allowed under this section for the tax year
21 and any unused carryforward of the credit allowed by this section
22 exceed the qualified taxpayer's tax liability for the tax year,
23 that portion that exceeds the tax liability for the tax year shall
24 not be refunded but may be carried forward to offset tax liability
25 in subsequent tax years for 10 years or until used up, whichever
26 occurs first. If a qualified taxpayer has an unused carryforward of
27 a credit under this section, the amount otherwise added under
28 subsection (9) to the qualified taxpayer's tax liability may
29 instead be used to reduce the qualified taxpayer's carryforward

1 under this section.

2 (9) Except as otherwise provided under subsection (10), if a
3 certificate of completed rehabilitation is revoked under subsection
4 (5) or a historic resource is sold or disposed of less than 5 years
5 after the certificate of completed rehabilitation is issued, the
6 following percentage of the credit amount previously claimed
7 relative to that historic resource shall be added back to the tax
8 liability of the qualified taxpayer that received the certificate
9 of completed rehabilitation and not the assignee in the year of the
10 revocation:

11 (a) If the revocation is less than 1 year after the
12 certificate of completed rehabilitation is issued, 100%.

13 (b) If the revocation is at least 1 year but less than 2 years
14 after the certificate of completed rehabilitation is issued, 80%.

15 (c) If the revocation is at least 2 years but less than 3
16 years after the certificate of completed rehabilitation is issued,
17 60%.

18 (d) If the revocation is at least 3 years but less than 4
19 years after the certificate of completed rehabilitation is issued,
20 40%.

21 (e) If the revocation is at least 4 years but less than 5
22 years after the certificate of completed rehabilitation is issued,
23 20%.

24 (f) If the revocation is at least 5 years or more after the
25 certificate of completed rehabilitation is issued, an addback to
26 the qualified taxpayer tax liability is not required.

27 (10) Subsection (9) shall not apply if the qualified taxpayer
28 enters into a written agreement with the office that will allow for
29 the transfer or sale of the historic resource and provides the

1 following:

2 (a) Reasonable assurance that subsequent to the transfer the
3 property will remain a historic resource during the 5-year period
4 after the certificate of completed rehabilitation is issued.

5 (b) A method that the department can recover an amount from
6 the qualified taxpayer equal to the appropriate percentage of
7 credit added back as described under subsection (9).

8 (c) An encumbrance on the title to the historic resource being
9 sold or transferred, stating that the property must remain a
10 historic resource throughout the 5-year period after the
11 certificate of completed rehabilitation is issued.

12 (d) A provision for the payment by the qualified taxpayer of
13 all legal and professional fees associated with the drafting,
14 review, and recording of the written agreement required under this
15 subsection.

16 (11) The office may impose a fee to cover the administrative
17 cost of implementing the program under this section.

18 (12) The qualified taxpayer shall attach all of the following
19 to the qualified taxpayer's annual return required under this part,
20 if applicable, on which the credit is claimed:

21 (a) Certificate of completed rehabilitation.

22 (b) Certification of historic significance related to the
23 historic resource and the qualified expenditures used to claim a
24 credit under this section.

25 (c) A completed assignment form if the qualified taxpayer or
26 assignee has assigned any portion of a credit allowed under this
27 section or if the qualified taxpayer is an assignee of any portion
28 of a credit allowed under this section.

29 (13) The office may promulgate rules to implement this section

1 pursuant to the administrative procedures act of 1969, 1969 PA 306,
2 MCL 24.201 to 24.328. **Within 120 days after the effective date of**
3 **the amendatory act that added this sentence, the office shall**
4 **establish eligibility guidelines for the certification of historic**
5 **barns that are eligible for a credit under this section.**

6 (14) The total of the credits claimed under this section and
7 section 266a for a rehabilitation project shall not exceed 25% of
8 the total qualified expenditures eligible for the credit under this
9 section for that rehabilitation project.

10 (15) The office shall submit an economic impact report that
11 includes, to the extent available, all of the following to the
12 legislature annually for the immediately preceding state fiscal
13 year:

14 (a) The fee schedule used by the office and the total amount
15 of fees collected.

16 (b) A description of each rehabilitation project for which a
17 preapproval letter is issued and for each certificate of completed
18 rehabilitation issued. The description must include the total
19 rehabilitation costs, labor hours generated, jobs added, payroll
20 added, total capital investments, gain in property value after
21 rehabilitation, and the amount of income tax and sales tax
22 generated by the rehabilitation project.

23 (c) The location of each new and ongoing rehabilitation
24 project.

25 (16) As used in this section:

26 (a) "Contributing resource" means a historic resource that
27 contributes to the significance of the historic district in which
28 it is located.

29 (b) "Detroit Consumer Price Index" means the most

1 comprehensive index of consumer prices available for the Detroit
2 area from the United States Department of Labor, Bureau of Labor
3 Statistics.

4 (c) **"Historic barn" means an agricultural structure that was**
5 **at least partially constructed before 1945, that is or was used as**
6 **an agricultural facility or for purposes related to agriculture,**
7 **and that is certified by the office as a historic barn.**

8 (d) ~~(e)~~—"Historic district" means an area, or group of areas
9 not necessarily having contiguous boundaries, that contains 1
10 resource or a group of resources that are related by history,
11 architecture, archaeology, engineering, or culture.

12 (e) ~~(d)~~—"Historic resource" means a publicly or privately
13 owned **historic barn or a publicly or privately owned** historic
14 building, structure, site, object, feature, or open space located
15 within a historic district designated by the National Register of
16 Historic Places, the state register of historic sites, or a local
17 unit acting under the local historic districts act, 1970 PA 169,
18 MCL 399.201 to 399.215; or that is individually listed on the state
19 register of historic sites or National Register of Historic Places.

20 (f) ~~(e)~~—"Large nonresidential historic resource" means a
21 nonowner-occupied, income producing historic resource that has a
22 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
23 more.

24 (g) ~~(f)~~—"Local unit" means a county, city, village, or
25 township.

26 (h) ~~(g)~~—"Long-term lease" means a lease term of at least 27.5
27 years for a residential resource or at least 31.5 years for a
28 nonresidential resource.

29 (i) ~~(h)~~—"Open space" means undeveloped land, a naturally

1 landscaped area, or a formal or man-made landscaped area that
2 provides a connective link or a buffer between other resources.

3 **(j)** ~~(i)~~—"Qualified expenditures" means capital expenditures
4 that qualify, or would qualify except that the qualified taxpayer
5 entered into an agreement under subsection (10), for a
6 rehabilitation credit under section 47(a)(2) of the internal
7 revenue code if the qualified taxpayer is eligible for the credit
8 under section 47(a)(2) of the internal revenue code or, if the
9 applicant is not eligible for the credit under section 47(a)(2) of
10 the internal revenue code, the qualified expenditures that would
11 qualify under section 47(a)(2) of the internal revenue code except
12 that the expenditures are made to a historic resource that is not
13 eligible for the credit under section 47(a)(2) of the internal
14 revenue code that were paid. Qualified expenditures do not include
15 capital expenditures for nonhistoric additions to a historic
16 resource except an addition that is required by state or federal
17 regulations that relate to historic preservation, safety, or
18 accessibility.

19 **(k)** ~~(j)~~—"Qualified taxpayer" means a person that is an
20 assignee under this section or section 266a or that either owns the
21 resource to be rehabilitated or has a long-term lease agreement
22 with the owner of the historic resource and that has qualified
23 expenditures for the rehabilitation of the historic resource that
24 satisfies either of the following:

25 **(i)** For the rehabilitation of a historic resource that is not a
26 residential historic resource, qualified expenditures equal to or
27 greater than 10% of the state equalized valuation of the property.
28 If the historic resource to be rehabilitated is a portion of a
29 historic or nonhistoric resource, the state equalized valuation of

1 only that portion of the property shall be used for purposes of
 2 this subdivision. If the assessor for the local tax collecting unit
 3 in which the historic resource is located determines the state
 4 equalized valuation of that portion, that assessor's determination
 5 shall be used for purposes of this subdivision. If the assessor
 6 does not determine that state equalized valuation of that portion,
 7 qualified expenditures, for purposes of this subdivision, shall be
 8 equal to or greater than 5% of the appraised value as determined by
 9 a certified appraiser. If the historic resource to be rehabilitated
 10 does not have a state equalized valuation, qualified expenditures
 11 for purposes of this subdivision shall be equal to or greater than
 12 5% of the appraised value of the resource as determined by a
 13 certified appraiser.

14 (ii) For the rehabilitation of a residential historic resource,
 15 qualified expenditures equal to or greater than \$1,000.00. The
 16 dollar amount established under this subparagraph must be annually
 17 adjusted for inflation using the Detroit Consumer Price Index.

18 (l) ~~(k)~~ "Rehabilitation plan" means a plan for the
 19 rehabilitation of a historic resource that meets the federal
 20 Secretary of the Interior's standards for rehabilitation and
 21 guidelines for rehabilitation of historic buildings under 36 CFR
 22 part 67.

23 (m) ~~(l)~~ "Residential historic resource" means a non-income
 24 producing historic resource that is an owner-occupied dwelling.

25 (n) ~~(m)~~ "Small nonresidential historic resource" means a
 26 nonowner-occupied, income producing historic resource that has a
 27 rehabilitation plan with qualified expenditures of less than
 28 \$2,000,000.00.

29 (o) ~~(n)~~ "State historic preservation office" or "office" means

- 1 the state historic preservation office created by Executive Order
- 2 No. 2007-53 and transferred to the Michigan strategic fund by
- 3 Executive Reorganization Order No. 2019-3, MCL 125.1998.