

Legislative Analysis



OBSOLETE PROPERTY REHABILITATION: EXCEPTION TO ABATEMENT PROCEDURES

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House Bill 4259

Sponsor: Rep. Fred Durhal, Jr.

Committee: Tax Policy

Complete to 9-23-13

A SUMMARY OF HOUSE BILL 4259 AS INTRODUCED 2-14-13

House Bill 4259 would amend the Obsolete Property Rehabilitation Act to allow a property tax abatement to be granted in an exceptional case where the standard application procedures have not been followed. Several similar exceptions already exist in the act.

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 from 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. This only applies in so-called core communities and only to blighted, functionally obsolete, and contaminated properties.

The act provides a procedure to be followed to establish districts and grant abatements. As noted above, House Bill 4259 would amend the act to allow a property tax abatement to be granted, retroactive to December 31, 2010, in an exceptional case where the standard application procedures have not been followed. As written, the bill would only apply to a project in Detroit. Several similar exceptions already exist in the act; they were created in recent years for Big Rapids, Bay City, and Adrian.

Typically, 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. House Bill 4259 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 all of the following four conditions are met:

- Roof repairs or improvements began before the establishment of the obsolete property rehabilitation district.
- The application for the facility was submitted to the qualified local unit in January 2010.
- The local unit established the district in June 2010 and approved the certificate in January 2010.

- The facility is located in a city with a population of more than 600,000 and is located in a county with a population of more than 1.8 million, according to the most recent decennial census. (This means the bill applies only to Detroit.)

The bill specifies that a certificate issued under the bill would have an effective date of December 31, 2010.

FISCAL IMPACT:

Property tax abatements result in a loss of state and local property tax revenue and an increase in State School Aid Fund (SAF) expenditures to replace the lost tax revenue allocated to school operating expenses.

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