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BILL ANALYSIS



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Senate Bill 722 (as introduced 12-2-25)
Sponsor: Senator Mary Cavanagh
Committee: Regulatory Affairs

Date Completed: 12-2-25

CONTENT

The bill would amend the Commercial Rehabilitation Act to do the following:

- **Allow the Michigan State Tax Commission (Commission) to modify the effective date of a commercial rehabilitation exemption certificate under certain circumstances.**
- **Allow an applicant to submit an amended application if the applicant's first attempt contained an error or mistake discovered late in the approval process.**
- **Extend, from 10 years to 12 years, the maximum length of time that a commercial rehabilitation certificate could be active.**
- **Extend, from December 31, 2025, to December 31, 2035, the sunset on the Commission's ability to approve new commercial rehabilitation exemption certificates.**
- **Modify the required content of a commercial rehabilitation exemption certificate.**

Among other things, the Act allows a qualified local government to establish a commercial rehabilitation district. The owner of a qualified facility located within a commercial rehabilitation district may apply to the district's local government, which in turn applies to the Commission on the owner's behalf, for a commercial rehabilitation exemption certificate. A certificate exempts that facility from ad valorem property taxes collected under the General Property Tax Act.

Certificate Timelines

Currently, the bill provides that a commercial rehabilitation exemption certificate becomes effective on the December 31 immediately following the issuance of the certificate. The bill would provide that, if an application were completed by October 31 following the year the application was received, the Commission could provide the applicant a commercial rehabilitation exemption certificate effective on the December 31 of the year the application was received.

Furthermore, the bill would allow an applicant to submit an amended application in the same manner as an original application if the applicant's first attempt contained an error or mistake discovered after a local government had approved the application or after the Commission issued a commercial rehabilitation exemption certificate. The local government or the Commission could approve or deny the amended application. The bill would require the Commission to issue an amended certificate for the amended application if it approved the application, even if the Commission had already issued a certificate for the original application. The amended application would have the same effective date as the original application.

A commercial rehabilitation exemption certificate commences on its effective date and ends on the December 31 of the final year the commercial rehabilitation exemption certificate was approved for. The bill would modify the final date to December 30.

Currently, a commercial rehabilitation exemption certificate remains in effect for a period of one to 10 years, as determined by the local government unit and agreed to by the Commission. The bill would modify this provision to extend the period during which a commercial rehabilitation exemption certificate could remain in effect to 12 years. It would make similar extensions to provisions regarding the legislative review of the certificate.

Currently, each local government granting a commercial rehabilitation exemption certificate must report to the Commission the status of each certificate by October 15. The bill would modify this deadline to June 15.

The Act prohibits a local government from approving and the Commission from providing a new commercial rehabilitation exemption certificate after December 31, 2025. The bill would extend this date to December 31, 2035.

Certificate Contents

Currently, a commercial rehabilitation exemption certificate must contain all the following:

- A statement that unless revoked the certificate will remain in force for the period stated in the certificate.
- A statement of the taxable value of the qualified facility, separately stated for real and personal property, for the tax year immediately preceding the effective date of the certificate after deducting the taxable value of the land and personal property other than personal property assessed under certain sections of the General Property Tax Act.
- A legal description of the real property on which the qualified facility is located.
- A statement of the period of time authorized by the local government within which the rehabilitation will be completed.
- If the period of time authorized by the legislative body of the qualified local governmental unit is less than 10 years, the factors, criteria, and objectives, as determined by the resolution of the qualified local governmental unit, necessary for extending the period of time, if any.

The bill would delete the latter three requirements.

Definitions

The bill would define "commencement" of the rehabilitation as the date the first building or other trade permit is issued related to the rehabilitation of the qualified facility, unless sufficient documented proof can be provided to show that rehabilitation did not start until a later date. The term would not include demolition activity, or the issuance of a demolition permit, that occurred before the issue date of the first building or other trade permit.

MCL 207.842 et al.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would have an unknown impact on local government revenue and would increase the cost of the Commission within the Department of Treasury by a minimal amount. To the extent that designated properties would be rehabilitated without the bill, the bill would reduce revenue to cities, villages, townships, and counties with commercial rehabilitation districts. If

the postponement of the sunset on the designation of new commercial rehabilitation districts resulted in property rehabilitation and taxable value growth that otherwise would not occur, the local governments would receive an increase in tax revenue that would begin when the commercial rehabilitation exemption expired. The amount and timing of revenue change would depend on the decision of a city, village, or township to designate a district, county approval, the approval of the Commission, the duration of the district, and the number and value of participating properties. The net revenue to local school districts would not be changed by the bill. The Commission would have additional costs of a minimal amount to approve and report on additional commercial rehabilitation districts approved pursuant to the bill.

Affected local taxing jurisdictions cannot “opt out” of the certificate provisions. Affected properties are exempted from property taxes and pay a Commercial Rehabilitation Tax instead on the value of the property (the taxes levied on the value of the land and certain personal property is not affected by the certificate) prior to the rehabilitation. As a result, the certificate does not reduce revenue to local units but prevents local units from receiving increased revenue from the presumably higher post-rehabilitation value.

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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.