

OBSOLETE PROPERTY REHABILITATION: EXCEPTION TO ABATEMENT PROCEDURES

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Senate Bill 308

Sponsor: Sen. Rick Jones

House Committee: Tax Policy

Senate Committee: Economic Development

Complete to 12-2-13

A SUMMARY OF SENATE BILL 308 AS PASSED BY THE SENATE

Senate Bill 308 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.

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. Senate Bill 308 would amend the act (MCL 125.2788) to provide an exception to this requirement. According to information from the Senate Fiscal Agency, the bill would apply to a residential care facility for dementia patients in Charlotte in Eaton County.

Several similar exceptions already exist in the act; they were created in recent years for Big Rapids, Bay City, and Adrian. Further, House Bill 4259 of the current session would create such an exception for a facility in Detroit. That bill has passed the House and is in the Senate Finance Committee.

Under Senate Bill 308, a certificate could be awarded to a project where the rehabilitation of the facility begins before the establishment of a district if all of the following three conditions are met:

- The building permit for the rehabilitation of the facility was obtained in September 2010.
- The obsolete property rehabilitation district was created in October 2012.
- The rehabilitation of the facility included renovation of the entire interior building structure and mold removal.

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. The size of the loss depends on the number of taxpayers that would now qualify for the obsolete property exemption, the taxable value of the property, and improvements made to the property. Given the bill's specific language, this reduction is likely to be small and not applicable to most local units.

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