

SENATE BILL NO. 633

October 30, 2025, Introduced by Senators ALBERT, BELLINO and LINDSEY and referred to Committee on Government Operations.

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~~**under** subsection (4) after December 31, 2020 and
4 before January 1, ~~2031~~**2026** may credit against the tax imposed by
5 this part the amount determined pursuant to subsection (2) for the

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8 the certificate is issued, the certificate is no longer valid and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

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

29 (3) To be eligible for the credit under this section, a person

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

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

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

7 (a) All of the following criteria:

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

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

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

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

27 (4) The office shall verify that the rehabilitation is
28 complete and meets the criteria under subsection (3). However, if
29 the applicant is eligible for the credit allowed under section

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

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

1 shall promptly notify the department of a revocation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) Subsection (9) ~~shall~~**does** not apply if the qualified taxpayer enters into a written agreement with the office that ~~will~~**allows** for the transfer or sale of the historic resource and provides the following:

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

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

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

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

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

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

19 (a) Certificate of completed rehabilitation.

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

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

26 (13) The office may promulgate rules to implement this section
27 pursuant to the administrative procedures act of 1969, 1969 PA 306,
28 MCL 24.201 to 24.328.

29 (14) The total of the credits claimed under this section and

1 section 676 for a rehabilitation project ~~shall~~**must** not exceed 25%
2 of the total qualified expenditures eligible for the credit under
3 this section for that rehabilitation project.

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

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

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

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

19 (16) As used in this section:

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

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

27 (c) "Historic district" means an area, or group of areas not
28 necessarily having contiguous boundaries, that contains 1 resource
29 or a group of resources that are related by history, architecture,

1 archaeology, engineering, or culture.

2 (d) "Historic resource" means a publicly or privately owned
3 historic building, structure, site, object, feature, or open space
4 located within a historic district designated by the National
5 Register of Historic Places, the state register of historic sites,
6 or a local unit acting under the local historic districts act, 1970
7 PA 169, MCL 399.201 to 399.215, ~~or~~ that is individually listed on
8 the state register of historic sites or National Register of
9 Historic Places.

10 (e) "Large nonresidential historic resource" means a nonowner-
11 occupied, income producing historic resource that has a
12 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
13 more.

14 (f) "Local unit" means a county, city, village, or township.

15 (g) "Long-term lease" means a lease term of at least 27.5
16 years for a residential resource or at least 31.5 years for a
17 nonresidential resource.

18 (h) "Open space" means undeveloped land, a naturally
19 landscaped area, or a formal or man-made landscaped area that
20 provides a connective link or a buffer between other resources.

21 (i) "Qualified expenditures" means capital expenditures that
22 qualify, or would qualify except that the qualified taxpayer
23 entered into an agreement under subsection (10), for a
24 rehabilitation credit under section 47(a)(2) of the internal
25 revenue code if the qualified taxpayer is eligible for the credit
26 under section 47(a)(2) of the internal revenue code or, if the
27 applicant is not eligible for the credit under section 47(a)(2) of
28 the internal revenue code, the qualified expenditures that would
29 qualify under section 47(a)(2) of the internal revenue code except

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

8 (j) "Qualified taxpayer" means a person that is an assignee
9 under this section or section 676 or that either owns the resource
10 to be rehabilitated or has a long-term lease agreement with the
11 owner of the historic resource and that has qualified expenditures
12 for the rehabilitation of the historic resource that satisfies
13 either of the following:

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

18 (ii) For the rehabilitation of a historic resource that is not
19 a residential historic resource, qualified expenditures equal to or
20 greater than 10% of the state equalized valuation of the property.
21 If the historic resource to be rehabilitated is a portion of a
22 historic or nonhistoric resource, the state equalized valuation of
23 only that portion of the property ~~shall~~**must** be used for purposes
24 of this subparagraph. If the assessor for the local tax collecting
25 unit in which the historic resource is located determines the state
26 equalized valuation of that portion, that assessor's determination
27 ~~shall~~**must** be used for purposes of this subparagraph. If the
28 assessor does not determine that state equalized valuation of that
29 portion, qualified expenditures, for purposes of this subparagraph,

1 ~~shall be~~**are** equal to or greater than 5% of the appraised value as
 2 determined by a certified appraiser. If the historic resource to be
 3 rehabilitated does not have a state equalized valuation, qualified
 4 expenditures for purposes of this subparagraph ~~shall be~~**are** equal
 5 to or greater than 5% of the appraised value of the resource as
 6 determined by a certified appraiser.

7 (k) "Rehabilitation plan" means a plan for the rehabilitation
 8 of a historic resource that meets the federal Secretary of the
 9 Interior's standards for rehabilitation ~~and guidelines for~~
 10 ~~rehabilitation of historic buildings~~ under 36 CFR part 67 **and**
 11 **related guidelines for rehabilitating historic buildings.**

12 (l) "Residential historic resource" means a non-income
 13 producing historic resource that is an owner-occupied dwelling.

14 (m) "Small nonresidential historic resource" means a nonowner-
 15 occupied, income producing historic resource that has a
 16 rehabilitation plan with qualified expenditures of less than
 17 \$2,000,000.00.

18 (n) "State historic preservation office" or "office" means the
 19 state historic preservation office created by Executive Order No.
 20 2007-53 and transferred to the Michigan strategic fund by Executive
 21 Reorganization Order No. 2019-3, MCL 125.1998.

22 Sec. 676. (1) Subject to the limitations under this section, a
 23 qualified taxpayer with a certificate of completed rehabilitation
 24 issued ~~pursuant to~~**under** subsection (4) after December 31, 2020 and
 25 before January 1, ~~2031~~**2026** may credit against the tax imposed by
 26 this part the amount determined pursuant to subsection (2) for the
 27 qualified expenditures for the rehabilitation of a historic
 28 resource pursuant to the rehabilitation plan in the year in which
 29 the certificate of completed rehabilitation of the historic

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

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

26 (3) To be eligible for the credit under this section, a person
27 shall submit an application and a rehabilitation plan to the state
28 historic preservation office. Completed applications must be
29 considered in the order in which the office received the completed

1 applications and approved or denied within 120 days ~~of~~**after**
2 receipt of the completed applications. If the office determines
3 that the application is complete and the rehabilitation plan meets
4 the criteria for a credit under this section, the office shall
5 issue a preapproval letter to the applicant that states that the
6 rehabilitation plan qualifies for the credit under this section and
7 the maximum total amount of the credit reserved for which a credit
8 may be claimed when the project is complete and a certificate of
9 completed rehabilitation is issued for qualified expenditures
10 pursuant to that rehabilitation plan. If an application is denied
11 under this subsection, the applicant may file an appeal in a form
12 and manner as prescribed by the office or subsequently reapply for
13 the same rehabilitation plan or for another rehabilitation plan, or
14 both. Subject to the limitations under this section, the total of
15 all credits reserved under preapproval letters for rehabilitation
16 plans approved under this section and section 266a ~~shall~~**must** not
17 exceed \$5,000,000.00 per calendar year. To the extent the office
18 receives applications for the rehabilitation of small
19 nonresidential historic resources for credits in excess of
20 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
21 each calendar year ~~shall~~**must** be approved for small nonresidential
22 historic resources. To the extent the office receives applications
23 for the rehabilitation of large nonresidential historic resources
24 for credits in excess of \$2,000,000.00, not less than \$2,000,000.00
25 of the \$5,000,000.00 each calendar year ~~shall~~**must** be approved for
26 large nonresidential historic resources. To the extent the office
27 receives applications for the rehabilitation of residential
28 historic resources for credits in excess of \$1,000,000.00, not less
29 than \$1,000,000.00 of the \$5,000,000.00 each calendar year ~~shall~~

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

1 rehabilitation is complete and the completed rehabilitation of the
2 historic resource meets the criteria under subsection (6) and
3 either of the following:

4 (a) All of the following criteria:

5 (i) The historic resource contributes to the significance of
6 the historic district in which it is located or is individually
7 listed on the National Register of Historic Places or state
8 register of historic sites.

9 (ii) Both the rehabilitation plan and completed rehabilitation
10 of the historic resource meet the federal Secretary of the
11 Interior's standards for rehabilitation ~~and guidelines for~~
12 ~~rehabilitating historic buildings, under~~ 36 CFR part 67 **and related**
13 **guidelines for rehabilitating historic buildings.**

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

18 (b) The applicant has received certification from the National
19 Park Service that the historic resource's significance, the
20 rehabilitation plan, and the completed rehabilitation qualify for
21 the credit allowed under section 47(a)(2) of the internal revenue
22 code.

23 (4) The office shall verify that the rehabilitation is
24 complete and meets the criteria under subsection (3). However, if
25 the applicant is eligible for the credit allowed under section
26 47(a)(2) of the internal revenue code, additional documentation
27 that the rehabilitation is complete for the credit allowed under
28 this section is not required. Within 120 days after receiving
29 verification, in a form and manner as prescribed by the office,

1 that the rehabilitation is complete and meets the requirements of
2 subsection (3), the office shall issue a certificate of completed
3 rehabilitation to the applicant that states the rehabilitation plan
4 submitted by the applicant has been completed, the amount of
5 qualified expenditures, and the total amount of the credit allowed
6 to be claimed by a qualified taxpayer under this section. If the
7 amount of qualified expenditures incurred exceeds the amount of the
8 tax credits reserved by the preapproval letter issued under
9 subsection (3), the applicant may submit a request to the office,
10 in a form and manner as prescribed by the office, for the issuance
11 and approval of a certificate of completed rehabilitation in excess
12 of the amount initially authorized in the preapproval letter. If
13 the office determines that less than \$5,000,000.00 has been
14 reserved under preapproval letters issued for the calendar year,
15 after priority has been given to those notified under subsection
16 (3), then the office may issue a certificate of completed
17 rehabilitation in excess of the amount included in the preapproval
18 letter.

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

27 (6) Qualified expenditures for the rehabilitation of a
28 historic resource may be used to calculate the credit under this
29 section if the historic resource is 1 of the following during the

1 tax year in which a credit under this section is claimed for those
2 qualified expenditures:

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

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

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

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

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

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

26 (9) Except as otherwise provided under subsection (10), if a
27 certificate of completed rehabilitation is revoked under subsection
28 (5) or a historic resource is sold or disposed of less than 5 years
29 after the certificate of completed rehabilitation is issued, the

1 following percentage of the credit amount previously claimed
2 relative to that historic resource ~~shall~~**must** be added back to the
3 tax liability of the qualified taxpayer that received the
4 certificate of completed rehabilitation and not the assignee in the
5 year of the revocation:

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

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

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

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

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

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

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

26 (a) Reasonable assurance that ~~subsequent to~~**after** the transfer
27 the property will remain a historic resource during the 5-year
28 period after the certificate of completed rehabilitation is issued.

29 (b) A method that the department can recover an amount from

1 the qualified taxpayer equal to the appropriate percentage of
2 credit added back as described under subsection (9).

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

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

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

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

16 (a) Certificate of completed rehabilitation.

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

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

27 (14) The total of the credits claimed under this section and
28 section 266a for a rehabilitation project ~~shall~~**must** not exceed 25%
29 of the total qualified expenditures eligible for the credit under

1 this section for that rehabilitation project.

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

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

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

15 (c) The location of each new and ongoing rehabilitation
16 project.

17 (16) As used in this section:

18 (a) "Contributing resource" means a historic resource that
19 contributes to the significance of the historic district in which
20 it is located.

21 (b) "Detroit Consumer Price Index" means the most
22 comprehensive index of consumer prices available for the ~~Detroit~~
23 **Detroit-Warren-Dearborn** area from the United States Department of
24 Labor, Bureau of Labor Statistics.

25 (c) "Historic district" means an area, or group of areas not
26 necessarily having contiguous boundaries, that contains 1 resource
27 or a group of resources that are related by history, architecture,
28 archaeology, engineering, or culture.

29 (d) "Historic resource" means a publicly or privately owned

1 historic building, structure, site, object, feature, or open space
2 located within a historic district designated by the National
3 Register of Historic Places, the state register of historic sites,
4 or a local unit acting under the local historic districts act, 1970
5 PA 169, MCL 399.201 to 399.215; or that is individually listed on
6 the state register of historic sites or National Register of
7 Historic Places.

8 (e) "Large nonresidential historic resource" means a nonowner-
9 occupied, income producing historic resource that has a
10 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
11 more.

12 (f) "Local unit" means a county, city, village, or township.

13 (g) "Long-term lease" means a lease term of at least 27.5
14 years for a residential resource or at least 31.5 years for a
15 nonresidential resource.

16 (h) "Open space" means undeveloped land, a naturally
17 landscaped area, or a formal or man-made landscaped area that
18 provides a connective link or a buffer between other resources.

19 (i) "Qualified expenditures" means capital expenditures that
20 qualify, or would qualify except that the qualified taxpayer
21 entered into an agreement under subsection (10), for a
22 rehabilitation credit under section 47(a)(2) of the internal
23 revenue code if the qualified taxpayer is eligible for the credit
24 under section 47(a)(2) of the internal revenue code or, if the
25 applicant is not eligible for the credit under section 47(a)(2) of
26 the internal revenue code, the qualified expenditures that would
27 qualify under section 47(a)(2) of the internal revenue code except
28 that the expenditures are made to a historic resource that is not
29 eligible for the credit under section 47(a)(2) of the internal

1 revenue code that were paid. Qualified expenditures do not include
2 capital expenditures for nonhistoric additions to a historic
3 resource except an addition that is required by state or federal
4 regulations that relate to historic preservation, safety, or
5 accessibility.

6 (j) "Qualified taxpayer" means a person that is an assignee
7 under this section or section 266a or that either owns the resource
8 to be rehabilitated or has a long-term lease agreement with the
9 owner of the historic resource and that has qualified expenditures
10 for the rehabilitation of the historic resource that satisfies
11 either of the following:

12 (i) For the rehabilitation of a historic resource that is not a
13 residential historic resource, qualified expenditures equal to or
14 greater than 10% of the state equalized valuation of the property.
15 If the historic resource to be rehabilitated is a portion of a
16 historic or nonhistoric resource, the state equalized valuation of
17 only that portion of the property ~~shall~~**must** be used for purposes
18 of this subdivision. If the assessor for the local tax collecting
19 unit in which the historic resource is located determines the state
20 equalized valuation of that portion, that assessor's determination
21 ~~shall~~**must** be used for purposes of this subdivision. If the
22 assessor does not determine that state equalized valuation of that
23 portion, qualified expenditures, for purposes of this subdivision,
24 ~~shall be~~**are** equal to or greater than 5% of the appraised value as
25 determined by a certified appraiser. If the historic resource to be
26 rehabilitated does not have a state equalized valuation, qualified
27 expenditures for purposes of this subdivision ~~shall be~~**are** equal to
28 or greater than 5% of the appraised value of the resource as
29 determined by a certified appraiser.

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

5 (k) "Rehabilitation plan" means a plan for the rehabilitation
6 of a historic resource that meets the federal Secretary of the
7 Interior's standards for rehabilitation ~~and guidelines for~~
8 ~~rehabilitation of historic buildings~~ under 36 CFR part 67 **and**
9 **related guidelines for rehabilitating historic buildings.**

10 (l) "Residential historic resource" means a non-income
11 producing historic resource that is an owner-occupied dwelling.

12 (m) "Small nonresidential historic resource" means a nonowner-
13 occupied, income producing historic resource that has a
14 rehabilitation plan with qualified expenditures of less than
15 \$2,000,000.00.

16 (n) "State historic preservation office" or "office" means the
17 state historic preservation office created by Executive Order No.
18 2007-53 and transferred to the Michigan strategic fund by Executive
19 Reorganization Order No. 2019-3, MCL 125.1998.