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:

Sec. 266a. (1) Subject to the limitations under this section, a qualified taxpayer with a certificate of completed rehabilitation issued ~~pursuant to~~ **under** subsection (4) after December 31, 2020 and before January 1, ~~2031~~ **2026** may credit against the tax imposed by this part the amount determined pursuant to subsection (2) for the qualified expenditures for the rehabilitation of a historic resource pursuant to the rehabilitation plan in the year in which the certificate of completed rehabilitation of the historic resource is issued. The qualified taxpayer shall initially claim a credit under this section within 5 years after the certificate of completed rehabilitation is issued ~~pursuant to~~ **under** subsection (4). If the credit is not initially claimed within 5 years after the certificate is issued, the certificate is no longer valid and the qualified taxpayer is no longer eligible to claim a credit under this section for that rehabilitation plan. Only those expenditures that are paid or incurred during the time periods prescribed for the credit under section 47(a)(2) of the internal revenue code and any related treasury regulations ~~shall be~~ **are** considered qualified expenditures.

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

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

shall submit an application and a rehabilitation plan to the state historic preservation office. Completed applications must be considered in the order in which the office received the completed applications and approved or denied within 120 days ~~of~~ **after** receipt of the completed applications. If the office determines that the application is complete and the rehabilitation plan meets the criteria for a credit under this section, the office shall issue a preapproval letter to the applicant that states that the rehabilitation plan qualifies for the credit under this section and the maximum total amount of the credit reserved for which a credit may be claimed when the project is complete and a certificate of completed rehabilitation is issued for qualified expenditures pursuant to that rehabilitation plan. If an application is denied under this subsection, the applicant may file an appeal in a form and manner as prescribed by the office or subsequently reapply for the same rehabilitation plan or for another rehabilitation plan, or both. Subject to the limitations under this section, the total of all credits reserved under preapproval letters for rehabilitation plans approved under this section and section 676 ~~shall~~ **must** not exceed $5,000,000.00 per calendar year. To the extent the office receives applications for the rehabilitation of small nonresidential historic resources for credits in excess of $2,000,000.00, not less than $2,000,000.00 of the $5,000,000.00 each calendar year ~~shall~~ **must** be approved for small nonresidential historic resources. To the extent the office receives applications for the rehabilitation of large nonresidential historic resources for credits in excess of $2,000,000.00, not less than $2,000,000.00 of the $5,000,000.00 each calendar year ~~shall~~ **must** be approved for large nonresidential historic resources. To the extent the office receives applications for the rehabilitation of residential historic resources for credits in excess of $1,000,000.00, not less than $1,000,000.00 of the $5,000,000.00 each calendar year ~~shall~~ **must** be approved for residential historic resources. The office shall not issue a preapproval letter or certificate of completed rehabilitation that authorizes a qualified taxpayer to claim a credit of more than $2,000,000.00 in a single tax year for the same historic resource. If, for any calendar year, the office issues preapproval letters and reserves the maximum amount of tax credits allowed under this section for that calendar year, the office shall notify all applicants who have submitted completed applications and rehabilitation plans then awaiting approval or submitted for approval after the calculation is made that no additional preapproval letters for rehabilitation plans will be issued during that calendar year. The office shall also notify those applicants of the priority number given to the applicant's application and rehabilitation plan awaiting approval. The applications and plans will remain in priority status for 2 years from the date of the original application and plan and will be considered for approval and reservation of tax credits in the priority order established in this subsection in the event that additional credits become available resulting from the rescission of approvals under this subsection or subsection (5) and at the beginning of the next calendar year. An applicant that has received a preapproval letter shall commence rehabilitation, if it has not previously begun, within 1 year after the issuance of the preapproval letter and complete the rehabilitation plan within 8 years after the issuance of the preapproval letter or the office will rescind the preapproval letter and reallocate the amount of the credit reserved for that rehabilitation plan. ~~Upon~~ **On** completion of a rehabilitation plan for which a preapproval letter was issued, the applicant shall submit to the office documentation that the rehabilitation is complete and the completed rehabilitation of the historic resource meets the criteria under subsection (6) and either of the following:

(a) All of the following criteria:

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

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

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

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

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

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

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

shall promptly notify the department of a revocation.

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

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

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

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

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

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

(8) If the credit allowed under this section for the tax year and any unused carryforward of the credit allowed by this section exceed the qualified taxpayer's tax liability for the tax year, that portion that exceeds the tax liability for the tax year ~~shall~~ **must** not be refunded but may be carried forward to offset tax liability in subsequent tax years for 10 years or until used up, whichever occurs first. If a qualified taxpayer has an unused carryforward of a credit under this section, the amount otherwise added under subsection (9) to the qualified taxpayer's tax liability may instead be used to reduce the qualified taxpayer's 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 allow~~ **allows** for the transfer or sale of the historic resource and provides the following:

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

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

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

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

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

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

(a) Certificate of completed rehabilitation.

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

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

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

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

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

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

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

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

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

(16) As used in this section:

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

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

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

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

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

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

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

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

(i) "Qualified expenditures" means capital expenditures that qualify, or would qualify except that the qualified taxpayer entered into an agreement under subsection (10), for a rehabilitation credit under section 47(a)(2) of the internal revenue code if the qualified taxpayer is eligible for the credit under section 47(a)(2) of the internal revenue code or, if the applicant is not eligible for the credit under section 47(a)(2) of the internal revenue code, the qualified expenditures that would qualify under section 47(a)(2) of the internal revenue code except that the expenditures are made to a historic resource that is not eligible for the credit under section 47(a)(2) of the internal revenue code, that were paid. Qualified expenditures do not include capital expenditures for nonhistoric additions to a historic resource except an addition that is required by state or federal regulations that relate to historic preservation, safety, or accessibility.

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

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

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

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

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

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

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

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

Sec. 676. (1) Subject to the limitations under this section, a qualified taxpayer with a certificate of completed rehabilitation issued ~~pursuant to~~ **under** subsection (4) after December 31, 2020 and before January 1, ~~2031~~ **2026** may credit against the tax imposed by this part the amount determined pursuant to subsection (2) for the qualified expenditures for the rehabilitation of a historic resource pursuant to the rehabilitation plan in the year in which the certificate of completed rehabilitation of the historic resource is issued. The qualified taxpayer shall initially claim a credit under this section within 5 years after the certificate of completed rehabilitation is issued ~~pursuant to~~ **under** subsection (4). If the credit is not initially claimed within 5 years after the certificate is issued, the certificate is no longer valid and the qualified taxpayer is no longer eligible to claim a credit under this section for that rehabilitation plan. Only those expenditures that are paid or incurred during the time periods prescribed for the credit under section 47(a)(2) of the internal revenue code and any related treasury regulations ~~shall be~~ **are** considered qualified expenditures.

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

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

applications and approved or denied within 120 days ~~of~~ **after** receipt of the completed applications. If the office determines that the application is complete and the rehabilitation plan meets the criteria for a credit under this section, the office shall issue a preapproval letter to the applicant that states that the rehabilitation plan qualifies for the credit under this section and the maximum total amount of the credit reserved for which a credit may be claimed when the project is complete and a certificate of completed rehabilitation is issued for qualified expenditures pursuant to that rehabilitation plan. If an application is denied under this subsection, the applicant may file an appeal in a form and manner as prescribed by the office or subsequently reapply for the same rehabilitation plan or for another rehabilitation plan, or both. Subject to the limitations under this section, the total of all credits reserved under preapproval letters for rehabilitation plans approved under this section and section 266a ~~shall~~ **must** not exceed $5,000,000.00 per calendar year. To the extent the office receives applications for the rehabilitation of small nonresidential historic resources for credits in excess of $2,000,000.00, not less than $2,000,000.00 of the $5,000,000.00 each calendar year ~~shall~~ **must** be approved for small nonresidential historic resources. To the extent the office receives applications for the rehabilitation of large nonresidential historic resources for credits in excess of $2,000,000.00, not less than $2,000,000.00 of the $5,000,000.00 each calendar year ~~shall~~ **must** be approved for large nonresidential historic resources. To the extent the office receives applications for the rehabilitation of residential historic resources for credits in excess of $1,000,000.00, not less than $1,000,000.00 of the $5,000,000.00 each calendar year ~~shall~~

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

(a) All of the following criteria:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Except as otherwise provided under subsection (10), if a certificate of completed rehabilitation is revoked under subsection (5) or a 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 allow for the transfer or sale of the historic resource and provides the following:

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

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

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

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

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

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

(a) Certificate of completed rehabilitation.

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

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

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

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

this section for that rehabilitation project.

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

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

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

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

(16) As used in this section:

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

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

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

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

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

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

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

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

(i) "Qualified expenditures" means capital expenditures that qualify, or would qualify except that the qualified taxpayer entered into an agreement under subsection (10), for a rehabilitation credit under section 47(a)(2) of the internal revenue code if the qualified taxpayer is eligible for the credit under section 47(a)(2) of the internal revenue code or, if the applicant is not eligible for the credit under section 47(a)(2) of the internal revenue code, the qualified expenditures that would qualify under section 47(a)(2) of the internal revenue code except that the expenditures are made to a historic resource that is not eligible for the credit under section 47(a)(2) of the internal revenue code that were paid. Qualified expenditures do not include capital expenditures for nonhistoric additions to a historic resource except an addition that is required by state or federal regulations that relate to historic preservation, safety, or accessibility.

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

(*i*) For the rehabilitation of a historic resource that is not a residential historic resource, qualified expenditures equal to or greater than 10% of the state equalized valuation of the property. If the historic resource to be rehabilitated is a portion of a historic or nonhistoric resource, the state equalized valuation of only that portion of the property ~~shall~~ **must** be used for purposes of this subdivision. If the assessor for the local tax collecting unit in which the historic resource is located determines the state equalized valuation of that portion, that assessor's determination ~~shall~~ **must** be used for purposes of this subdivision. If the assessor does not determine that state equalized valuation of that portion, qualified expenditures, for purposes of this subdivision, ~~shall be~~ **are** equal to or greater than 5% of the appraised value as determined by a certified appraiser. If the historic resource to be rehabilitated does not have a state equalized valuation, qualified expenditures for purposes of this subdivision ~~shall be~~ **are** equal to or greater than 5% of the appraised value of the resource as determined by a certified appraiser.

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

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

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

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

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