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Senate Bill 52 (as introduced 1-25-05)

Sponsor: Senator Jim Barcia

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 2-22-05

CONTENT

The bill would amend the Obsolete Property Rehabilitation Act to include additions to a facility within the meaning of "rehabilitation", for purposes of an obsolete property rehabilitation exemption certificate.

Under the Act, qualified local units of government may establish obsolete property rehabilitation districts containing obsolete property (commercial property or commercial housing property that is blighted or functionally obsolete, or the site of a hazardous substance). The owner of obsolete property may apply for an obsolete property rehabilitation exemption certificate, which may be issued for a period of one to 12 years. If the certificate is approved by the legislative body of the local unit and the State Tax Commission, the rehabilitated facility is exempt from ad valorem property taxes and is subject, instead, to an obsolete properties tax. (Essentially, the amount invested in the rehabilitated facility is exempt from millage levied in the local unit, except for local school operating millage and the State education tax.)

The Act defines "rehabilitation" as changes to obsolete property other than replacement that are required to restore or modify the property, together with all appurtenances, to an economically efficient condition. Rehabilitation includes, among other things, major renovation and modification, improved structural support, and reducing multistory facilities to one or two stories. Under the bill, rehabilitation also would include adding additional space or adding additional stories to a facility.

Currently, "commercial property" means land improvements classified by law for general ad valorem tax purposes as real property, including "real property assessable as personal property" under Sections 8(d) and 14(6) of the General Property Tax Act. The bill would refer, instead, to "buildings and improvements assessable as real property" under the same sections. (Those sections provide for the taxation of buildings and improvements located on leased real property, on real property of the United States or this State, or on property that is not owned by the owner of the building. Under both sections, the property in question is assessable as real property.)

MCL 125.2782

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a negligible fiscal impact on State and local government.

Fiscal Analyst: David Zin

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