

**SUBSTITUTE FOR  
SENATE BILL NO. 54**

A bill to amend 1967 PA 281, entitled  
"Income tax act of 1967,"  
(MCL 206.1 to 206.713) by adding sections 266a and 676.

**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 subsection (4) after December 31, 2020 and**  
4           **before January 1, 2031 may credit against the tax imposed by this**  
5           **part the amount determined pursuant to subsection (2) for the**  
6           **qualified expenditures for the rehabilitation of a historic**  
7           **resource pursuant to the rehabilitation plan in the year in which**  
8           **the certificate of completed rehabilitation of the historic**  
9           **resource is issued. The qualified taxpayer shall initially claim a**



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4 certificate is issued, the certificate is no longer valid and the  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

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

25 (3) To be eligible for the credit under this section, a person  
26 shall submit an application and a rehabilitation plan to the state  
27 historic preservation office. Completed applications must be  
28 considered in the order in which the office received the completed  
29 applications and approved or denied within 120 days of receipt of



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



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



1 meets the criteria under subsection (6) and either of the  
2 following:

3 (a) All of the following criteria:

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

8 (ii) Both the rehabilitation plan and completed rehabilitation  
9 of the historic resource meet the federal secretary of the  
10 interior's standards for rehabilitation and guidelines for  
11 rehabilitating historic buildings, 36 CFR part 67.

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

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

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



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

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

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



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

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

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

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



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

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

23 (9) Except as otherwise provided under subsection (10), if a  
24 certificate of completed rehabilitation is revoked under subsection  
25 (5) or if the historic resource is sold or disposed of less than 5  
26 years after the certificate of completed rehabilitation is issued,  
27 the following percentage of the credit amount previously claimed  
28 relative to that historic resource shall be added back to the tax  
29 liability of the qualified taxpayer that received the certificate





1 of completed rehabilitation and not the assignee in the year of the  
2 revocation:

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

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

7 (c) If the revocation is at least 2 years but less than 3  
8 years after the certificate of completed rehabilitation is issued,  
9 60%.

10 (d) If the revocation is at least 3 years but less than 4  
11 years after the certificate of completed rehabilitation is issued,  
12 40%.

13 (e) If the revocation is at least 4 years but less than 5  
14 years after the certificate of completed rehabilitation is issued,  
15 20%.

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

19 (10) Subsection (9) shall not apply if the qualified taxpayer  
20 enters into a written agreement with the office that will allow for  
21 the transfer or sale of the historic resource and provides the  
22 following:

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

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

29 (c) An encumbrance on the title to the historic resource being



1 sold or transferred, stating that the property must remain a  
 2 historic resource throughout the 5-year period after the  
 3 certificate of completed rehabilitation is issued.

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

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

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

12 (a) Certificate of completed rehabilitation.

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

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

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

22 (14) The total of the credits claimed under this section and  
 23 section 676 for a rehabilitation project shall not exceed 25% of  
 24 the total qualified expenditures eligible for the credit under this  
 25 section for that rehabilitation project.

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



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

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

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

12 (16) As used in this section:

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

16 (b) "Detroit Consumer Price Index" means the most  
17 comprehensive index of consumer prices available for the Detroit  
18 area from the United States Department of Labor, Bureau of Labor  
19 Statistics.

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

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



1 the state register of historic sites or National Register of  
2 Historic Places.

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

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

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

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

14 (i) "Qualified expenditures" means capital expenditures that  
15 qualify, or would qualify except that the qualified taxpayer  
16 entered into an agreement under subsection (10), for a  
17 rehabilitation credit under section 47(a)(2) of the internal  
18 revenue code if the qualified taxpayer is eligible for the credit  
19 under section 47(a)(2) of the internal revenue code or, if the  
20 applicant is not eligible for the credit under section 47(a)(2) of  
21 the internal revenue code, the qualified expenditures that would  
22 qualify under section 47(a)(2) of the internal revenue code except  
23 that the expenditures are made to a historic resource that is not  
24 eligible for the credit under section 47(a)(2) of the internal  
25 revenue code, that were paid. Qualified expenditures do not include  
26 capital expenditures for nonhistoric additions to a historic  
27 resource except an addition that is required by state or federal  
28 regulations that relate to historic preservation, safety, or  
29 accessibility.



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

7 (i) For the rehabilitation of a residential historic resource,  
8 qualified expenditures equal to or greater than \$1,000.00. The  
9 \$1,000.00 amount must be annually adjusted for inflation using the  
10 Detroit Consumer Price Index.

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

29 (k) "Rehabilitation plan" means a plan for the rehabilitation



1 of a historic resource that meets the federal Secretary of the  
2 Interior's standards for rehabilitation and guidelines for  
3 rehabilitation of historic buildings under 36 CFR part 67.

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

6 (m) "Small nonresidential historic resource" means a nonowner-  
7 occupied, income producing historic resource that has a  
8 rehabilitation plan with qualified expenditures of less than  
9 \$2,000,000.00.

10 (n) "State historic preservation office" or "office" means the  
11 state historic preservation office created by Executive Order No.  
12 2007-53 and transferred to the Michigan strategic fund by Executive  
13 Reorganization Order No. 2019-3, MCL 125.1998.

14 Sec. 676. (1) Subject to the limitations under this section, a  
15 qualified taxpayer with a certificate of completed rehabilitation  
16 issued pursuant to subsection (4) after December 31, 2020 and  
17 before January 1, 2031 may credit against the tax imposed by this  
18 part the amount determined pursuant to subsection (2) for the  
19 qualified expenditures for the rehabilitation of a historic  
20 resource pursuant to the rehabilitation plan in the year in which  
21 the certificate of completed rehabilitation of the historic  
22 resource is issued. The qualified taxpayer shall initially claim a  
23 credit under this section within 5 years after the certificate of  
24 completed rehabilitation is issued pursuant to subsection (4). If  
25 the credit is not initially claimed within 5 years after the  
26 certificate is issued, the certificate is no longer valid and the  
27 qualified taxpayer is no longer eligible to claim a credit under  
28 this section for that rehabilitation plan. Only those expenditures  
29 that are paid or incurred during the time periods prescribed for



1 the credit under section 47(a)(2) of the internal revenue code and  
2 any related treasury regulations shall be considered qualified  
3 expenditures.

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

18 (3) To be eligible for the credit under this section, a person  
19 shall submit an application and a rehabilitation plan to the state  
20 historic preservation office. Completed applications must be  
21 considered in the order in which the office received the completed  
22 applications and approved or denied within 120 days of receipt of  
23 the completed applications. If the office determines that the  
24 application is complete and the rehabilitation plan meets the  
25 criteria for a credit under this section, the office shall issue a  
26 preapproval letter to the applicant that states that the  
27 rehabilitation plan qualifies for the credit under this section and  
28 the maximum total amount of the credit reserved for which a credit  
29 may be claimed when the project is complete and a certificate of



1 completed rehabilitation is issued for qualified expenditures  
2 pursuant to that rehabilitation plan. If an application is denied  
3 under this subsection, the applicant may file an appeal in a form  
4 and manner as prescribed by the office or subsequently reapply for  
5 the same rehabilitation plan or for another rehabilitation plan, or  
6 both. Subject to the limitations under this section, the total of  
7 all credits reserved under preapproval letters for rehabilitation  
8 plans approved under this section and section 266a shall not exceed  
9 \$5,000,000.00 per calendar year. To the extent the office receives  
10 applications for the rehabilitation of small nonresidential  
11 historic resources for credits in excess of \$2,000,000.00, not less  
12 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be  
13 approved for small nonresidential historic resources. To the extent  
14 the office receives applications for the rehabilitation of large  
15 nonresidential historic resources for credits in excess of  
16 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00  
17 each calendar year shall be approved for large nonresidential  
18 historic resources. To the extent the office receives applications  
19 for the rehabilitation of residential historic resources for  
20 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of  
21 the \$5,000,000.00 each calendar year shall be approved for  
22 residential historic resources. The office shall not issue a  
23 preapproval letter or certificate of completed rehabilitation that  
24 authorizes a qualified taxpayer to claim a credit of more than  
25 \$2,000,000.00 in a single tax year for the same historic resource.  
26 If, for any calendar year, the office issues preapproval letters  
27 and reserves the maximum amount of tax credits allowed under this  
28 section for that calendar year, the office shall notify all  
29 applicants who have submitted completed applications and





1 rehabilitation plans then awaiting approval or submitted for  
2 approval after the calculation is made that no additional  
3 preapproval letters for rehabilitation plans will be issued during  
4 that calendar year. The office shall also notify those applicants  
5 of the priority number given to the owner's application and  
6 rehabilitation plan awaiting approval. The applications and plans  
7 will remain in priority status for 2 years from the date of the  
8 original application and plan and will be considered for approval  
9 and reservation of tax credits in the priority order established in  
10 this subsection in the event that additional credits become  
11 available resulting from the rescission of approvals under this  
12 subsection or subsection (5) and at the beginning of the next  
13 calendar year. An applicant that has received a preapproval letter  
14 shall commence rehabilitation, if it has not previously begun,  
15 within 1 year after the issuance of the preapproval letter and  
16 complete the rehabilitation plan within 8 years after the issuance  
17 of the preapproval letter or the office will rescind the  
18 preapproval letter and reallocate the amount of the credit reserved  
19 for that rehabilitation plan. Upon completion of a rehabilitation  
20 plan for which a preapproval letter was issued, the applicant shall  
21 submit to the office documentation that the rehabilitation is  
22 complete and the completed rehabilitation of the historic resource  
23 meets the criteria under subsection (6) and either of the  
24 following:

25 (a) All of the following criteria:

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



1           (ii) Both the rehabilitation plan and completed rehabilitation  
2 of the historic resource meet the federal Secretary of the  
3 Interior's standards for rehabilitation and guidelines for  
4 rehabilitating historic buildings, 36 CFR part 67.

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

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

14           (4) The office shall verify that the rehabilitation is  
15 complete and meets the criteria under subsection (3). However, if  
16 the applicant is eligible for the credit allowed under section  
17 47(a)(2) of the internal revenue code, additional documentation  
18 that the rehabilitation is complete for the credit allowed under  
19 this section is not required. Within 120 days after receiving  
20 verification, in a form and manner as prescribed by the office,  
21 that the rehabilitation is complete and meets the requirements of  
22 subsection (3), the office shall issue a certificate of completed  
23 rehabilitation to the applicant that states the rehabilitation plan  
24 submitted by the applicant has been completed, the amount of  
25 qualified expenditures, and the total amount of the credit allowed  
26 to be claimed by a qualified taxpayer under this section. If the  
27 amount of qualified expenditures incurred exceeds the amount of the  
28 tax credits reserved by the preapproval letter issued under  
29 subsection (3), the applicant may submit a request to the office,



1 in a form and manner as prescribed by the office, for the issuance  
 2 and approval of a certificate of completed rehabilitation in excess  
 3 of the amount initially authorized in the preapproval letter. If  
 4 the office determines that less than \$5,000,000.00 has been  
 5 reserved under preapproval letters issued for the calendar year,  
 6 after priority has been given to those notified under subsection  
 7 (3), then the office may issue a certificate of completed  
 8 rehabilitation in excess of the amount included in the preapproval  
 9 letter.

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

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

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

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

28 (c) A contributing resource located within a historic district  
 29 designated by a local unit pursuant to an ordinance adopted under



1 the local historic districts act, 1970 PA 169, MCL 399.201 to  
2 399.215.

3 (7) A person that has been issued a certificate of completed  
4 rehabilitation under subsection (4) may assign all or any portion  
5 of the credit allowed under this section. A credit assignment under  
6 this subsection is irrevocable and shall be made in the tax year in  
7 which a certificate of completed rehabilitation is issued. A  
8 qualified taxpayer may claim a portion of a credit and assign the  
9 remaining amount. If the qualified taxpayer both claims and assigns  
10 portions of the credit, the qualified taxpayer shall claim the  
11 portion it claims in the tax year in which a certificate of  
12 completed rehabilitation is issued pursuant to this section. Except  
13 as otherwise provided under this subsection, an assignee may  
14 subsequently assign the credit or any portion of the credit  
15 assigned under this subsection to 1 or more assignees. An  
16 assignment or subsequent reassignment of a credit shall be made in  
17 the year the certificate of completed rehabilitation is issued. A  
18 credit assignment or subsequent reassignment under this section  
19 shall be made on a form prescribed by the office. The office shall  
20 review and issue a completed assignment or reassignment certificate  
21 to the assignee or reassignee. If the qualified taxpayer assigns  
22 all or any portion of the credit allowed under this section to a  
23 partnership, limited liability company, or subchapter S  
24 corporation, then the assignees are its partners, members, or  
25 shareholders based on the partner's, member's, or shareholder's  
26 proportionate share of ownership or on an alternative method  
27 approved by the office. A credit amount assigned under this  
28 subsection may be claimed against the assignee's tax liability  
29 under this part or part 1. An assignee or subsequent reassignee



1 shall attach a copy of the completed assignment certificate to the  
2 annual return required to be filed under this part for the tax year  
3 in which the assignment or reassignment is made and the assignee or  
4 reassignee first claims the credit, which shall be the same tax  
5 year.

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

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

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

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



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

4 (d) If the revocation is at least 3 years but less than 4  
5 years after the certificate of completed rehabilitation is issued,  
6 40%.

7 (e) If the revocation is at least 4 years but less than 5  
8 years after the certificate of completed rehabilitation is issued,  
9 20%.

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

13 (10) Subsection (9) shall not apply if the qualified taxpayer  
14 enters into a written agreement with the office that will allow for  
15 the transfer or sale of the historic resource and provides the  
16 following:

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

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

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

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



1 subsection.

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

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

7 (a) Certificate of completed rehabilitation.

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

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

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

18 (14) The total of the credits claimed under this section and  
19 section 266a for a rehabilitation project shall not exceed 25% of  
20 the total qualified expenditures eligible for the credit under this  
21 section for that rehabilitation project.

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

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

28 (b) A description of each rehabilitation project for which a  
29 preapproval letter is issued and for each certificate of completed



1 rehabilitation issued. The description must include the total  
2 rehabilitation costs, labor hours generated, jobs added, payroll  
3 added, total capital investments, gain in property value after  
4 rehabilitation, and the amount of income tax and sales tax  
5 generated by the rehabilitation project.

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

8 (16) As used in this section:

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

12 (b) "Detroit Consumer Price Index" means the most  
13 comprehensive index of consumer prices available for the Detroit  
14 area from the United States Department of Labor, Bureau of Labor  
15 Statistics.

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

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

28 (e) "Large nonresidential historic resource" means a nonowner-  
29 occupied, income producing historic resource that has a





1 rehabilitation plan with qualified expenditures of \$2,000,000.00 or  
2 more.

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

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

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

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

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



1 for the rehabilitation of the historic resource that satisfies  
2 either of the following:

3 (i) For the rehabilitation of a historic resource that is not a  
4 residential historic resource, qualified expenditures equal to or  
5 greater than 10% of the state equalized valuation of the property.  
6 If the historic resource to be rehabilitated is a portion of a  
7 historic or nonhistoric resource, the state equalized valuation of  
8 only that portion of the property shall be used for purposes of  
9 this subdivision. If the assessor for the local tax collecting unit  
10 in which the historic resource is located determines the state  
11 equalized valuation of that portion, that assessor's determination  
12 shall be used for purposes of this subdivision. If the assessor  
13 does not determine that state equalized valuation of that portion,  
14 qualified expenditures, for purposes of this subdivision, shall be  
15 equal to or greater than 5% of the appraised value as determined by  
16 a certified appraiser. If the historic resource to be rehabilitated  
17 does not have a state equalized valuation, qualified expenditures  
18 for purposes of this subdivision shall be equal to or greater than  
19 5% of the appraised value of the resource as determined by a  
20 certified appraiser.

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

25 (k) "Rehabilitation plan" means a plan for the rehabilitation  
26 of a historic resource that meets the federal Secretary of the  
27 Interior's standards for rehabilitation and guidelines for  
28 rehabilitation of historic buildings under 36 CFR part 67.

29 (l) "Residential historic resource" means a non-income



1 producing historic resource that is an owner-occupied dwelling.

2 (m) "Small nonresidential historic resource" means a nonowner-  
3 occupied, income producing historic resource that has a  
4 rehabilitation plan with qualified expenditures of less than  
5 \$2,000,000.00.

6 (n) "State historic preservation office" or "office" means the  
7 state historic preservation office created by Executive Order No.  
8 2007-53 and transferred to the Michigan strategic fund by Executive  
9 Reorganization Order No. 2019-3, MCL 125.1998.

