

# Legislative Analysis

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## OBSOLETE PROPERTY

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### House Bill 6420

Sponsor: Rep. Darwin Booher

Committee: Commerce

Complete to 12-8-08

## A SUMMARY OF HOUSE BILL 6420 AS INTRODUCED 9-10-08

The bill would amend the Obsolete Property Rehabilitation Act to allow a property tax abatement to be granted in an exceptional case where the standard application procedures have not been followed. Similar exceptions already exist in the act.

In order for an exemption certificate to be awarded under the act, the rehabilitation of a facility must begin after the rehabilitation district has been created. House Bill 6420 would amend the act (MCL 125.2788) to provide an exception to this requirement. Under the bill, a certificate could be awarded to a project where the rehabilitation of the facility occurs before the establishment of a district if all of the following four conditions are met:

- Roof repairs or improvements were completed in March 2006 before the establishment of the rehabilitation district.
- The district was created in April 2006.
- The application was submitted to the local unit in April 2006.
- The facility in question is located in a city with a population between 10,800 and 11,100 and is located in a county with a population between 39,000 and 42,000. (This would appear to apply to Big Rapids in Mecosta County, at least.)

Under the Obsolete Property Rehabilitation Act, local units of government can create special districts in which eligible commercial property and commercial housing can obtain property tax abatements. This only applies in so-called core communities and only to blighted, functionally obsolete, and contaminated properties. Properties undergoing rehabilitation can obtain a tax abatement for one to twelve years, if approved by the local legislative body and the State Tax Commission. Approved properties are exempt from standard property taxes and instead pay a specific tax, called the obsolete properties tax, which is based on the value of property prior to rehabilitation. The abatement applies to the facility and not the land and not, generally speaking, personal property.

## FISCAL IMPACT:

Property tax abatements result in a loss of state and local property tax revenue and an increase in State School Aid Fund (SAF) expenditures to replace the lost tax revenue allocated to school operating expenses.

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