

Frequently Asked Questions
Obsolete Property Rehabilitation Act
(PA 146 of 2000, as amended)

The following frequently asked questions are being provided as a service to assessors and taxpayers to better inform them about the administration of Public Act 146 of 2000, as amended.

Note: The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

1. What is an Obsolete Property Rehabilitation Exemption?

The Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000, as amended, provides tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. Exemptions are approved for a term of 1-12 years as determined by the local unit of government. The property taxes for the rehabilitated property are based on the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the exemption. Additionally, the State Treasurer may approve reductions of half of the school operating and state education taxes for a period not to exceed 6 years for 25 applications annually. Applications are filed, reviewed and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division. The State Tax Commission (STC) is responsible for final approval and issuance of OPRA certificates. Exemptions are not effective until approved by the STC.

2. Who establishes an Obsolete Property Rehabilitation District?

The legislative body of a qualified local governmental unit may establish an Obsolete Property Rehabilitation District on its own initiative or upon a written request filed by the owner(s) of property comprising at least 50% of all taxable value of the property located within the proposed Obsolete Property Rehabilitation District.

3. How do I apply for an Obsolete Property Rehabilitation Exemption Certificate?

An application for the Obsolete Property Rehabilitation Exemption can be found at the Michigan Department of Treasury website: www.michigan.gov/propertytaxexemptions.

File two (2) copies of the completed application and all attachments with the clerk of the local governmental unit where the property is located. You must meet the following qualifications of the Act:

- a. The property must be located within a qualified local governmental unit defined under MCL 125.2782(k).

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- b. The property must be located within an obsolete property rehabilitation district defined under MCL 125.2782(i)
- c. The property has been determined by the assessor to be an obsolete property defined under MCL 125.2782(h).

4. Are there provisions in the application process which are time sensitive?

Yes. To guarantee same year approval, applications must be completed and received by the State Tax Commission no later than October 31st. Applications received after October 31st will be processed based on staff availability.

5. Who determines if a facility qualifies for an Obsolete Property Rehabilitation Exemption Certificate?

Initially, that determination is made when the application is filed and reviewed by the local governmental unit. However, the local governmental unit's determination is reviewed and either approved, modified, or denied by the State Tax Commission (STC). The STC determination is based partly on the assessor's statement of obsolescence, which requires the assessor to visit the site and determine that the property is obsolete.

6. Can an application for an Obsolete Property Rehabilitation Exemption Certificate be denied?

Yes. An application can be denied at the local governmental unit level or by the State Tax Commission if all of the requirements were not met by the applicant.

7. Can a decision of the State Tax Commission (STC) regarding an Obsolete Property Rehabilitation Exemption Certificate be appealed?

No. Public Act 146 of 2000, as amended, does not give taxpayers appeal rights.

8. What is the term of an Obsolete Property Rehabilitation Exemption Certificate?

The certificate may be issued for a period of at least 1 year, but not more than 12 years. The total amount of time determined for the certificate, including any extensions, shall not exceed 12 years after the completion of the rehabilitated facility. The certificate shall commence with its effective date and end on the December 30th immediately following the last day of the number of years approved.

9. What determines the starting date of an Obsolete Property Rehabilitation Exemption Certificate?

The effective date of the certificate is December 31st immediately following the date of issuance of the certificate by the State Tax Commission.

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10. How is the tax computed on a rehabilitated facility?

Calculating the obsolete property's tax is a two-step process.

First, multiply the total mills levied as ad valorem taxes for that year by all taxing units by the taxable value of the real property (excluding land) for the tax year immediately preceding the effective date of the obsolete property rehabilitation exemption.

Second, multiply the local school district operating and state education tax mills by the difference between the taxable value of the real property (excluding land) for the current tax year and the taxable value of the real property (excluding land) for the tax year immediately preceding the effective date of the exemption. Within sixty (60) days after the granting of an obsolete property rehabilitation exemption certificate, the State Treasurer may exempt 50% of these mills for a period of not to exceed six (6) years. The State Treasurer will not grant more than 25 of these exemptions each year.

11. Are special assessment millage rates impacted by the granting of an Obsolete Property Rehabilitation Act exemption?

Special assessment millage rates may be impacted. Millage-based special assessments levied under Public Act 33 of 1951 do not apply to property with an Obsolete Property Rehabilitation Act exemption. However, the special assessment would still be applicable to the land on which the Obsolete Property Rehabilitation Act exemption property is located. Conversely, for millage-based special assessments levied under public acts other than Public Act 33 of 1951, property with an Obsolete Property Rehabilitation Act exemption pays on the full special assessment millage rate, the same as any "ad valorem" property.

12. What happens when an incomplete application for an Obsolete Property Rehabilitation Exemption Certificate is received?

The applicant will be contacted to submit the required items.

13. Can an Obsolete Property Rehabilitation Exemption Certificate be transferred?

Yes. A certificate may be transferred and assigned by the holder of the certificate to a new owner of the rehabilitated facility if the qualified local governmental unit approves the transfer after application by the new owner.

14. Can an Obsolete Property Rehabilitation Exemption Certificate (OPREC) be revoked? If yes, who holds the authority to do so?

Yes. The legislative body of the qualified local governmental unit may, by resolution, revoke the Obsolete Property Rehabilitation Exemption Certificate of a facility if it finds

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that the completion of rehabilitation of the facility has not occurred within the time authorized by the legislative body in the exemption certificate or a duly authorized extension of that time has not been received. In addition, the certificate may be revoked if the holder of the OPREC has not proceeded in good faith with the operation of the rehabilitated facility in a manner consistent with the purposes of this act and in the absence of circumstances that are beyond the control of the holder of the exemption certificate.

15. When does the revocation of an Obsolete Property Rehabilitation Exemption Certificate take effect?

The revocation of an Obsolete Property Rehabilitation Exemption Certificate is effective the December 31st of the year in which the local governmental unit resolves to revoke the certificate.

16. What is the definition of “commercial property”?

MCL 125.2782(b) defines “commercial property” as:

“Land improvements classified by law for general ad valorem tax purposes as real property including buildings and improvements assessable as real property pursuant to sections 8(d) and 14(6) of the general property tax act, 1893 PA 206; MCL 211.8 and 211.14, the primary purpose and use of which is the operation of a commercial business enterprise. Commercial property shall also include facilities related to a commercial business enterprise under the same ownership at that location, including, but not limited to, office, engineering, research and development, warehousing, parts distribution, retail sales, and other commercial activities. Commercial property also includes a building or group of contiguous buildings previously used for industrial purposes that will be converted to the operation of a commercial business enterprise or a multiple-unit dwelling or a dwelling unit in a multiple-purpose structure, used for residential purposes. Commercial property **does not** include any of the following: land or property of a public utility.” (Emphasis added)

17. What is the definition of “obsolete property”?

MCL 125.2782(h) defines “obsolete property” as:

“Commercial property or commercial housing property that is 1 or more of the following:

- i. Blighted, as that term is defined in section 2 of the brownfield redevelopment financing act, 1996 PA 381; MCL 125.2652;

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- ii. A facility as that term is defined under section 20101 of the natural resources and environmental protection act, 1994 PA 451; MCL 324.20101; and
- iii. Functionally obsolete.”

18. What is the definition of “rehabilitation”?

“Rehabilitation” is defined by MCL 125.2782(l) 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 major renovation and modification including, but not necessarily limited to, the improvement of floor loads, correction of deficient or excessive height, new or improved fixed building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stories, adding additional stories to a facility or adding additional space on the same floor level not to exceed 100% of the existing floor space on that floor level, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, and other physical changes required to restore or change the obsolete property to an economically efficient condition. Rehabilitation shall not include improvements aggregating less than 10% of the true cash value of the property at commencement of the rehabilitation of the obsolete property.”

19. What is the definition of “rehabilitated facility”?

MCL 125.2782(m) defines “rehabilitated facility” as:

“commercial property or commercial housing property that has undergone rehabilitation or is in the process of being rehabilitated, including rehabilitation that changes the intended use of the building. A rehabilitated facility **does not** include property that is to be used as a professional sports stadium or casino.” (Emphasis added)

20. What is required of the Local Governmental Unit regarding the yearly status reporting of Obsolete Property Rehabilitation Exemptions to the State Tax Commission?

Not later than October 15th of each year, each local governmental unit granting an Obsolete Property Rehabilitation Exemption shall report to the commission on the status of each exemption. The report must include the current value of the property to which

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the exemption pertains, the value on which the obsolete property rehabilitation tax is based, a current estimate of the number of jobs retained or created by the exemption, and a current estimate of the number of new residents occupying commercial housing property units covered by the exemption.

21. Where can I obtain copies of previously issued Obsolete Property Rehabilitation Exemption Certificates?

Copies of certificates acted upon by the State Tax Commission after January 1, 2013 are available on the Department of Treasury website at: www.michigan.gov/propertytaxexemptions. Choose the exemption program under which the certificate was issued. Within the “Certificate Activity” link, the certificates are listed according to the date they were acted upon.