

# Increasing Access to Healthy Foods: Michigan's New Property Tax Incentive for Retail Food Establishments (Public Act 231 of 2008)



Access to affordable, quality and healthy food promotes community health and reduces risk of obesity, diabetes, and heart disease. Many Michigan communities, particularly low-income urban and rural areas, have limited access to retail food establishments that offer healthy food options.

To address this issue, Senate Bill 294 (PA 231 of 2008) was passed into law and signed by Governor Granholm on July 17, 2008. PA 231 amends the Commercial Rehabilitation Act to allow retail food establishments to qualify for the property tax incentive. Qualified retail food establishments that expand, improve or open in underserved areas may request that those improvements not be taxed for up to 10 years. This legislation was supported by the Healthy Kids, Healthy Michigan Initiative, as well as many other organizations/initiatives throughout the state, as it moved through the Michigan Legislature.

## Why is it important to provide tax incentives for food retailers in low income and rural communities?

### Tax incentives support local retail outlets that offer healthy food options

- In general, retail food establishments operate with very tight margins. Tax incentives reduce business overhead costs, which can help improve working cash flow and overall business operation.
- Retail food establishments in underserved areas, especially in urban and rural settings, face unique operating challenges that can drive up operating costs. Tax incentives are even more meaningful to these businesses.



### Tax incentives help support the local economy and quality of life

- Retail establishments with a wide range of food improve neighborhood quality of life, attract other retail, and increase residential property values.
- New and expanded retail food establishments provide job opportunities for neighborhood residents.
- Low-income residents spend a high percentage of their income on basic necessities like groceries (Kaufman, MacDonald, Lutz, et al., 1997). Increased competition in the food retail sector can help lower prices.

## New and improved retail food outlets promote community health by increasing access to healthy food options



- Increased access to healthy, affordable foods improves public health by reducing risk of obesity and chronic disease outcomes, and lessens spending on health care. Residents of census tracts with more retail food outlets consume more fruits and vegetables compared to those with fewer outlets (Morland K, Wing S, Diez Roux A., 2002).
- Eating habits are shaped by taste, healthy food knowledge, cost, and availability of healthy foods in one's environment. Increasing access to healthy foods can promote healthy eating habits in children, which they will carry into adulthood (Mikkelsen and Chehimi, 2007).



## What qualifies for the property tax incentive?

- Property (must meet all bulleted criteria to qualify):
  - The property must be used as a supermarket, grocery store, produce market, or delicatessen, offering fresh and frozen USDA-inspected meat and poultry products, fresh fruits and vegetables, and dairy products for sale to the public. At least 75% of the property (based on sales floor square footage) must be used to sell items typically sold in a full service food store, including food and non-taxable grocery items, such as pharmaceuticals, cleaning supplies and paper products.
  - Located in an underserved community as determined by the Michigan Department of Agriculture. An underserved area is an area (1) with low- or moderate-income and below-average number of qualified retail food establishments; (2) an area that has a supermarket customer base with more than 50% living in a low income census tract; and (3) with barriers to access due to travel distance.
  - That was used as a residential, commercial, or industrial property as allowed and conducted under the applicable zoning ordinance for the immediately preceding 30 years.
  - Located in a city, village or township that qualifies under the Obsolete Property Rehabilitation Act or rural local unit.
- Prior to December 31, 2009, improvements may start as much as 42 months before the application for the incentive is filed. After December 31, 2009, they must not start more than 6 months before the application for the incentive is filed.



## How can I take action?

You are in a position as a citizen, community leader, organization member, or business owner to raise awareness and take advantage of this new opportunity for grocery store development.

- **Grocers or developers** can develop their business plans and apply for the tax incentive in order to grow the economy and their business, while in turn transforming the community. Grocers or developers should contact state and local economic development agencies for any additional types of assistance and/or incentives that may be packaged with the PA231 of 2008 property tax incentive.
- **Community organizations and leaders** can meet with local grocers and community members to raise awareness and educate about the property tax incentive, how to apply, and the importance of access to healthy foods in communities.
- **Citizens and business leaders** can attend public meetings at the city, township, or county level to talk to local officials about the importance of using this tax incentive to revitalize neighborhoods, create jobs, and improve public health.

## Where can I get more information?

To read or download a copy of SB 294 (PA 231 of 2008), you may visit the Michigan Legislature's website at <http://www.legislature.mi.gov/documents/2007-2008/publicact/pdf/2008-PA-0231.pdf>

You can contact the **Michigan Department of Treasury**, Property Services Division at **517-373-2408**, or visit the website at [http://www.michigan.gov/taxes/0,1607,7-238-43535\\_53197-213167--,00.html](http://www.michigan.gov/taxes/0,1607,7-238-43535_53197-213167--,00.html), for more specific information on the application process.

You can contact the **Michigan Department of Agriculture**, Agriculture Development Division at **517-241-2178** for more specific information on what qualifies a retail food establishment and/or which geographical areas are eligible for the property tax incentive.



### Healthy Kids, Healthy Michigan

*Healthy Kids, Healthy Michigan was initiated with a grant from the National Governor's Association through the Healthy Kids, Healthy America program. This program was designed to provide the nation's governors with the opportunity to address childhood obesity in schools and communities in their state.*

*Healthy Kids, Healthy Michigan is working with executive-level decision-makers from government, public and private sectors, school districts, health care and non-profit organizations to create a multi-year strategic policy plan to reduce childhood obesity in Michigan. This policy plan will include targeted approaches and implementation plans to guide state leaders in adopting policies that will increase access to physical activity and healthy food choices, especially fruits and vegetables.*

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