



## COMMERCIAL REHABILITATION ACT (P.A. 210 OF 2005)

Commercial property that is 15 years or older may be eligible for a property tax abatement. Public Act 210 of 2005 was amended in 2006 to allow any city, village or township unit of government to grant property tax abatement on commercial real property. Commercial property means land improvements classified by law for general ad valorem tax purposes as real property. The primary purpose and use is the operation of a commercial business enterprise or multi-family residential use. Multi-family residential housing is defined as housing consisting of five or more units. Commercial property does not include land. Personal property is not eligible for abatement under this act.

### PROCESS

The process is similar to P.A. 198, the Industrial Property Tax Abatement Act. The city, village or township must first hold a hearing to establish a Commercial Rehabilitation District. Notification of the hearing must be given to the county board of commissioners and all real property owners in the proposed district by certified mail. The district must be at least three acres in size unless it's in a downtown or business area. After the hearing is held and the local unit of government determines the district meets the requirements of the act, a copy of the resolution adopting the district shall be provided to the county where the district is established. Within 28 days, the county may reject the establishment of the district. In a county with a county executive, the executive can write a letter rejecting the establishment of the district. In all other counties, the county board of commissioners can pass a resolution rejecting the establishment of the district. The difference from P.A. 198 is this act gives county executives or county boards the ability to reject the establishment of the district, thereby, prohibiting the tax abatement.

Once the district is established, the property owners may file an application with the local clerk for a commercial rehabilitation exemption certificate. Applications are available from the Michigan Department of Treasury. The local clerk shall provide written notification to the tax assessor of the local unit of government and each taxing jurisdiction that levies ad valorem property taxes of the application hearing. The city, village or township has 60 days after receipt of the application to either approve or disapprove the application. If disapproved, reasons must be given in the resolution disapproving the application. The assessor and applicant shall be sent a copy of the disapproval resolution by certified mail. If

approved, the application and resolution must be sent to the State Tax Commission. The State Tax Commission has 60 days upon receipt to approve or disapprove the certificate.

### COMMERCIAL REHABILITATION EXEMPTION CERTIFICATE

Upon approval by the State Tax Commission, a commercial rehabilitation certificate is issued. The property owner will receive a yearly commercial rehabilitation tax rather than the normal property tax. The certificate may be issued for a period of at least a year, but can't exceed 10 years. Certificates initially issued for less than 10 years may be extended, but shall not exceed 10 years. The criteria for extensions must be included in the resolution approving the abatement.

The commercial rehabilitation tax basically exempts the new investments from local taxes. The K-12 school tax and the State Education Tax (SET) are still levied on the new investment. Land can't be abated under this act.

The applicant has six months after starting construction to file an application for the certificate. It's recommended the applicant file before starting construction because they must state the rehabilitation wouldn't take place without receipt of the exemption certificate.

The local unit of government may revoke the certificate when the completion of the rehabilitation doesn't occur within the time authorized or the certificate holder hasn't proceeded in good faith with the operation of the facility. The certificate may be transferred to a new owner upon application and approval by the local unit of government. No new exemptions can be granted after December 31, 2015.

For more information, contact the Michigan Economic Development Corporation<sup>SM</sup> Customer Assistance at 517.373.9808.