

REPRINT

**SUBSTITUTE FOR
SENATE BILL NO. 106**

(As Passed the Senate June 4, 1998)

(As amended by the House, December 9, 1998)

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.532) by adding section 266.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 SEC. 266. (1) FOR THE 1999 TAX YEAR [THROUGH THE 2002
2] TAX YEAR, A QUALIFIED TAXPAYER MAY CREDIT AGAINST THE
3 TAX IMPOSED BY THIS ACT THE AMOUNT DETERMINED PURSUANT TO SUBSEC-
4 TION (2) FOR THE QUALIFIED EXPENDITURES FOR THE REHABILITATION OF
5 A HISTORIC RESOURCE PURSUANT TO A REHABILITATION PLAN IN 1 OF THE
6 FOLLOWING TIME PERIODS:
7 (A) THE YEAR IN WHICH THE REHABILITATED HISTORIC RESOURCE IS
8 PLACED IN SERVICE.
9 (B) THE YEAR IN WHICH A FINAL PAYMENT OF QUALIFIED
10 EXPENDITURES IS MADE IF THE PROJECT IS A PHASED PROJECT AND
11 CONSTRUCTION IS PLANNED FOR 2 TO 5 YEARS.

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1 (2) THE CREDIT ALLOWED UNDER THIS SECTION SHALL BE 25% OF
2 THE QUALIFIED EXPENDITURES THAT ARE ELIGIBLE FOR THE CREDIT UNDER
3 SECTION 47(a)(2) OF THE INTERNAL REVENUE CODE IF THE TAXPAYER IS
4 ELIGIBLE FOR THE CREDIT UNDER SECTION 47(a)(2) OF THE INTERNAL
5 REVENUE CODE OR 25% OF THE QUALIFIED EXPENDITURES THAT ARE ELIGI-
6 BLE FOR THE CREDIT UNDER THIS ACT IF THE TAXPAYER IS NOT ELIGIBLE
7 FOR THE CREDIT UNDER SECTION 47(a)(2) OF THE INTERNAL REVENUE
8 CODE, SUBJECT TO BOTH OF THE FOLLOWING:

9 (A) A TAXPAYER WITH QUALIFIED EXPENDITURES THAT ARE ELIGIBLE
10 FOR THE CREDIT UNDER SECTION 47(a)(2) OF THE INTERNAL REVENUE
11 CODE MAY NOT CLAIM A CREDIT UNDER THIS SECTION FOR THOSE QUALI-
12 FIED EXPENDITURES UNLESS THE TAXPAYER HAS CLAIMED AND RECEIVED A
13 CREDIT FOR THOSE QUALIFIED EXPENDITURES UNDER SECTION 47(a)(2) OF
14 THE INTERNAL REVENUE CODE.

15 (B) A CREDIT UNDER THIS SECTION SHALL BE REDUCED BY THE
16 AMOUNT OF A CREDIT RECEIVED BY THE TAXPAYER FOR THE SAME QUALI-
17 FIED EXPENDITURES UNDER SECTION 47(a)(2) OF THE INTERNAL REVENUE
18 CODE.

19 (3) TO BE ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE
20 TAXPAYER SHALL APPLY TO AND RECEIVE FROM THE MICHIGAN HISTORICAL
21 CENTER CERTIFICATION THAT THE HISTORIC SIGNIFICANCE, THE REHABIL-
22 ITATION PLAN, AND THE COMPLETED REHABILITATION OF THE HISTORIC
23 RESOURCE MEET 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.

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1 (ii) BOTH THE REHABILITATION PLAN AND COMPLETED
2 REHABILITATION OF THE HISTORIC RESOURCE MEET THE FEDERAL SECRE-
3 TARY OF THE INTERIOR'S STANDARDS FOR REHABILITATION AND GUIDE-
4 LINES FOR REHABILITATING HISTORIC BUILDINGS, 36 C.F.R. 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 RESOURCE.

9 (B) THE TAXPAYER HAS RECEIVED CERTIFICATION FROM THE
10 NATIONAL PARK SERVICE THAT THE HISTORIC RESOURCE'S SIGNIFICANCE,
11 THE REHABILITATION PLAN, AND THE COMPLETED REHABILITATION QUALIFY
12 FOR THE CREDIT ALLOWED UNDER SECTION 47(a)(2) OF THE INTERNAL
13 REVENUE CODE.

14 (4) IF A QUALIFIED TAXPAYER IS ELIGIBLE FOR THE CREDIT
15 ALLOWED UNDER SECTION 47(a)(2) OF THE INTERNAL REVENUE CODE, THE
16 QUALIFIED TAXPAYER SHALL FILE FOR CERTIFICATION WITH THE CENTER
17 TO QUALIFY FOR THE CREDIT ALLOWED UNDER SECTION 47(a)(2) OF THE
18 INTERNAL REVENUE CODE. IF THE QUALIFIED TAXPAYER HAS PREVIOUSLY
19 FILED FOR CERTIFICATION WITH THE CENTER TO QUALIFY FOR THE CREDIT
20 ALLOWED UNDER SECTION 47(a)(2) OF THE INTERNAL REVENUE CODE,
21 ADDITIONAL FILING FOR THE CREDIT ALLOWED UNDER THIS SECTION IS
22 NOT REQUIRED.

23 (5) THE CENTER MAY INSPECT A HISTORIC RESOURCE AT ANY TIME
24 DURING THE REHABILITATION PROCESS AND MAY REVOKE CERTIFICATION IF
25 THE REHABILITATION WAS NOT UNDERTAKEN AS REPRESENTED IN THE REHA-
26 BILITATION PLAN OR IF UNAPPROVED ALTERATIONS TO THE COMPLETED
27 REHABILITATION ARE MADE DURING THE 5 YEARS AFTER THE TAX YEAR IN

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1 WHICH THE CREDIT WAS CLAIMED. THE CENTER SHALL PROMPTLY NOTIFY
2 THE DEPARTMENT OF A REVOCATION.

3 (6) QUALIFIED EXPENDITURES FOR THE REHABILITATION OF A HIS-
4 TORIC RESOURCE MAY BE USED TO CALCULATE THE CREDIT UNDER THIS
5 SECTION IF THE HISTORIC RESOURCE MEETS 1 OF THE CRITERIA LISTED
6 IN SUBDIVISION (A) AND 1 OF THE CRITERIA LISTED IN SUBDIVISION
7 (B):

8 (A) THE RESOURCE IS 1 OF THE FOLLOWING DURING THE TAX YEAR
9 IN WHICH A CREDIT UNDER THIS SECTION IS CLAIMED FOR THOSE QUALI-
10 FIED EXPENDITURES:

11 (i) INDIVIDUALLY LISTED ON THE NATIONAL REGISTER OF HISTORIC
12 PLACES OR STATE REGISTER OF HISTORIC SITES.

13 (ii) A CONTRIBUTING RESOURCE LOCATED WITHIN A HISTORIC DIS-
14 TRICT LISTED ON THE NATIONAL REGISTER OF HISTORIC PLACES OR THE
15 STATE REGISTER OF HISTORIC SITES.

16 (iii) A CONTRIBUTING RESOURCE LOCATED WITHIN A HISTORIC DIS-
17 TRICT DESIGNATED BY A LOCAL UNIT PURSUANT TO AN ORDINANCE ADOPTED
18 UNDER THE LOCAL HISTORIC DISTRICTS ACT, 1970 PA 169, MCL 399.201
19 TO 399.215.

20 (B) THE RESOURCE MEETS 1 OF THE FOLLOWING CRITERIA DURING
21 THE TAX YEAR IN WHICH A CREDIT UNDER THIS SECTION IS CLAIMED FOR
22 THOSE QUALIFIED EXPENDITURES:

23 (i) THE HISTORIC RESOURCE IS LOCATED IN A DESIGNATED HIS-
24 TORIC DISTRICT IN A LOCAL UNIT OF GOVERNMENT WITH AN EXISTING
25 ORDINANCE UNDER THE LOCAL HISTORIC DISTRICTS ACT, 1970 PA 169,
26 MCL 399.201 TO 399.215.

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1 (ii) THE HISTORIC RESOURCE IS LOCATED IN AN INCORPORATED
2 LOCAL UNIT OF GOVERNMENT THAT DOES NOT HAVE AN ORDINANCE UNDER
3 THE LOCAL HISTORIC DISTRICTS ACT, 1970 PA 169, MCL 399.201 TO
4 399.215, AND HAS A POPULATION OF LESS THAN 5,000.

5 (iii) THE HISTORIC RESOURCE IS LOCATED IN AN UNINCORPORATED
6 LOCAL UNIT OF GOVERNMENT.

7 (7) IF THE CREDIT ALLOWED UNDER THIS SECTION FOR THE TAX
8 YEAR AND ANY UNUSED CARRYFORWARD OF THE CREDIT ALLOWED BY THIS
9 SECTION EXCEED THE TAXPAYER'S TAX LIABILITY FOR THE TAX YEAR,
10 THAT PORTION THAT EXCEEDS THE TAX LIABILITY FOR THE TAX YEAR
11 SHALL NOT BE REFUNDED BUT MAY BE CARRIED FORWARD TO OFFSET TAX
12 LIABILITY IN SUBSEQUENT TAX YEARS FOR 10 YEARS OR UNTIL USED UP,
13 WHICHEVER OCCURS FIRST.

14 (8) IF THE TAXPAYER SELLS A HISTORIC RESOURCE FOR WHICH A
15 CREDIT UNDER THIS SECTION WAS CLAIMED LESS THAN 5 YEARS AFTER THE
16 YEAR IN WHICH THE CREDIT WAS CLAIMED, THE FOLLOWING PERCENTAGE OF
17 THE CREDIT AMOUNT PREVIOUSLY CLAIMED RELATIVE TO THAT RESOURCE
18 SHALL BE ADDED BACK TO THE TAX LIABILITY OF THE TAXPAYER IN THE
19 YEAR OF THE SALE:

20 (A) IF THE SALE IS LESS THAN 1 YEAR AFTER THE YEAR IN WHICH
21 THE CREDIT WAS CLAIMED, 100%.

22 (B) IF THE SALE IS AT LEAST 1 YEAR BUT LESS THAN 2 YEARS
23 AFTER THE YEAR IN WHICH THE CREDIT WAS CLAIMED, 80%.

24 (C) IF THE SALE IS AT LEAST 2 YEARS BUT LESS THAN 3 YEARS
25 AFTER THE YEAR IN WHICH THE CREDIT WAS CLAIMED, 60%.

26 (D) IF THE SALE IS AT LEAST 3 YEARS BUT LESS THAN 4 YEARS
27 AFTER THE YEAR IN WHICH THE CREDIT WAS CLAIMED, 40%.

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1 (E) IF THE SALE IS AT LEAST 4 YEARS BUT LESS THAN 5 YEARS
2 AFTER THE YEAR IN WHICH THE CREDIT WAS CLAIMED, 20%.

3 (F) IF THE SALE IS 5 YEARS OR MORE AFTER THE YEAR IN WHICH
4 THE CREDIT WAS CLAIMED, AN ADDBACK TO THE TAXPAYER'S TAX LIABIL-
5 ITY SHALL NOT BE MADE.

6 (9) THE DEPARTMENT OF STATE THROUGH THE MICHIGAN HISTORICAL
7 CENTER MAY IMPOSE A FEE TO COVER THE ADMINISTRATIVE COST OF
 IMPLEMENTING THE
8 PROGRAM UNDER THIS SECTION.

9 (10) AN INDIVIDUAL WHO CLAIMS A CREDIT UNDER THIS SECTION
10 SHALL NOT REPORT THE CREDIT AMOUNT ON THE INDIVIDUAL'S ANNUAL
11 RETURN FILED UNDER THIS ACT, BUT SHALL CLAIM THE CREDIT ON A SEP-
12 ARATE FORM PRESCRIBED BY THE DEPARTMENT. THE TAXPAYER SHALL
13 ATTACH THE CERTIFICATE OF COMPLETED WORK AND CERTIFICATE OF HIS-
14 TORIC SIGNIFICANCE RELATED TO THE HISTORIC RESOURCE AND THE QUAL-
15 IFIED EXPENDITURES USED TO CLAIM A CREDIT UNDER THIS SECTION TO
16 THE FORM ON WHICH THE CREDIT IS CLAIMED.

17 (11) WITHIN 6 MONTHS AFTER THE EFFECTIVE DATE OF THE AMENDA-
18 TORY ACT THAT ADDED THIS SECTION, THE DEPARTMENT OF STATE SHALL
19 SUBMIT RULES TO IMPLEMENT THIS SECTION FOR PUBLIC HEARING PURSU-
20 ANT TO THE ADMINISTRATIVE PROCEDURES ACT OF 1969, 1969 PA 306,
21 MCL 24.201 TO 24.328.

22 (12) THE TOTAL OF THE CREDITS CLAIMED BY A TAXPAYER UNDER
23 THIS SECTION AND SECTION 39C OF THE SINGLE BUSINESS TAX ACT, 1975
24 PA 228, MCL 208.39C, SHALL NOT EXCEED THE TOTAL QUALIFIED EXPEN-
25 DITURES ELIGIBLE FOR THE CREDIT UNDER THIS SECTION OF THE
26 TAXPAYER.

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1 (13) THE DEPARTMENT OF STATE THROUGH THE MICHIGAN HISTORICAL
2 CENTER SHALL REPORT ALL OF THE FOLLOWING TO THE LEGISLATURE ANNU-
3 ALLY FOR THE IMMEDIATELY PRECEDING STATE FISCAL YEAR:

4 (A) THE FEE SCHEDULE USED BY THE CENTER AND THE TOTAL AMOUNT
5 OF FEES COLLECTED.

6 (B) A DESCRIPTION OF EACH PROJECT CERTIFIED.

7 (C) THE LOCATION OF EACH NEW AND ONGOING PROJECT.

8 (14) 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) "HISTORIC DISTRICT" MEANS AN AREA, OR GROUP OF AREAS NOT
13 NECESSARILY HAVING CONTIGUOUS BOUNDARIES, THAT CONTAINS 1
14 RESOURCE OR A GROUP OF RESOURCES THAT ARE RELATED BY HISTORY,
15 ARCHITECTURE, ARCHAEOLOGY, ENGINEERING, OR CULTURE.

16 (C) "HISTORIC RESOURCE" OR "RESOURCE" MEANS A PUBLICLY OR
17 PRIVATELY OWNED HISTORIC BUILDING, STRUCTURE, SITE, OBJECT, FEA-
18 TURE, OR OPEN SPACE LOCATED WITHIN A HISTORIC DISTRICT DESIGNATED
19 BY THE NATIONAL REGISTER OF HISTORIC PLACES, THE STATE REGISTER
20 OF HISTORIC SITES, OR A LOCAL UNIT ACTING UNDER THE LOCAL HIS-
21 TORIC DISTRICTS ACT, 1970 PA 169, MCL 399.201 TO 399.215; OR THAT
22 IS INDIVIDUALLY LISTED ON THE STATE REGISTER OF HISTORIC SITES OR
23 NATIONAL REGISTER OF HISTORIC PLACES AND INCLUDES ALL OF THE
24 FOLLOWING:

25 (i) AN OWNER-OCCUPIED PERSONAL RESIDENCE OR A HISTORIC
26 RESOURCE LOCATED WITHIN THE PROPERTY BOUNDARIES OF THAT PERSONAL
27 RESIDENCE.

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1 (ii) AN INCOME-PRODUCING COMMERCIAL, INDUSTRIAL, OR
2 RESIDENTIAL RESOURCE OR A HISTORIC RESOURCE LOCATED WITHIN THE
3 PROPERTY BOUNDARIES OF THAT RESOURCE.

4 (iii) A RESOURCE OWNED BY A GOVERNMENTAL BODY, NONPROFIT
5 ORGANIZATION, OR TAX-EXEMPT ENTITY THAT IS USED PRIMARILY BY A
6 TAXPAYER LESSEE IN A TRADE OR BUSINESS UNRELATED TO THE GOVERN-
7 MENTAL BODY, NONPROFIT ORGANIZATION, OR TAX-EXEMPT ENTITY AND
8 THAT IS SUBJECT TO TAX UNDER THIS ACT.

9 (iv) A RESOURCE THAT IS OCCUPIED OR UTILIZED BY A GOVERNMEN-
10 TAL BODY, NONPROFIT ORGANIZATION, OR TAX-EXEMPT ENTITY PURSUANT
11 TO A LONG-TERM LEASE OR LEASE WITH OPTION TO BUY AGREEMENT.

12 (v) ANY OTHER RESOURCE THAT COULD BENEFIT FROM
13 REHABILITATION.

14 (D) "LOCAL UNIT" MEANS A COUNTY, CITY, VILLAGE, OR
15 TOWNSHIP.

16 (E) "LONG-TERM LEASE" MEANS A LEASE TERM OF AT LEAST 27.5
17 YEARS FOR A RESIDENTIAL RESOURCE OR AT LEAST 31.5 YEARS FOR A
18 NONRESIDENTIAL RESOURCE.

19 (F) "MICHIGAN HISTORICAL CENTER" OR "CENTER" MEANS THE STATE
20 HISTORIC PRESERVATION OFFICE OF THE MICHIGAN HISTORICAL CENTER OF
21 THE DEPARTMENT OF STATE OR ITS SUCCESSOR AGENCY.

22 (G) "OPEN SPACE" MEANS UNDEVELOPED LAND, A NATURALLY LAND-
23 SCAPED AREA, OR A FORMAL OR MAN-MADE LANDSCAPED AREA THAT PRO-
24 VIDES A CONNECTIVE LINK OR A BUFFER BETWEEN OTHER RESOURCES.

25 (H) "PERSON" MEANS AN INDIVIDUAL, PARTNERSHIP, CORPORATION,
26 ASSOCIATION, GOVERNMENTAL ENTITY, OR OTHER LEGAL ENTITY.

1 (I) "QUALIFIED EXPENDITURES" MEANS CAPITAL EXPENDITURES THAT
2 QUALIFY FOR A REHABILITATION CREDIT UNDER SECTION 47(a)(2) OF THE
3 INTERNAL REVENUE CODE IF THE TAXPAYER IS ELIGIBLE FOR THE CREDIT
4 UNDER SECTION 47(a)(2) OF THE INTERNAL REVENUE CODE OR THE QUALI-
5 FIED EXPENDITURES THAT ARE ELIGIBLE FOR THE CREDIT UNDER THIS ACT
6 IF THE TAXPAYER IS NOT ELIGIBLE FOR THE CREDIT UNDER SECTION
7 47(a)(2) OF THE INTERNAL REVENUE CODE, THAT WERE PAID NOT MORE
8 THAN 5 YEARS AFTER THE INITIAL CERTIFICATION OF THE REHABILITA-
9 TION PLAN THAT INCLUDED THOSE EXPENDITURES WAS APPROVED BY THE
10 CENTER, AND THAT WERE PAID AFTER DECEMBER 31, 1998 FOR THE REHA-
11 BILITATION OF A HISTORIC RESOURCE. QUALIFIED EXPENDITURES DO NOT
12 INCLUDE CAPITAL EXPENDITURES FOR NONHISTORIC ADDITIONS TO A
13 RESOURCE EXCEPT AN ADDITION THAT IS REQUIRED BY STATE OR FEDERAL
14 REGULATIONS THAT RELATE TO HISTORIC PRESERVATION, SAFETY, OR
15 ACCESSIBILITY.

16 (J) "QUALIFIED TAXPAYER" MEANS A PERSON THAT OWNS THE
17 RESOURCE TO BE REHABILITATED OR THAT HAS A LONG-TERM LEASE AGREE-
18 MENT WITH THE OWNER OF THE RESOURCE AND THAT HAS QUALIFIED EXPEN-
19 DITURES FOR THE REHABILITATION OF THE RESOURCE EQUAL TO OR
20 GREATER THAN 10% OF THE STATE EQUALIZED VALUATION OF THE
21 PROPERTY. IF THE HISTORIC RESOURCE TO BE REHABILITATED IS A POR-
22 TION OF A HISTORIC OR NONHISTORIC RESOURCE, THE STATE EQUALIZED
23 VALUATION OF ONLY THAT PORTION OF THE PROPERTY SHALL BE USED FOR
24 PURPOSES OF THIS SUBDIVISION. IF THE ASSESSOR FOR THE LOCAL TAX
COLLECTING UNIT IN WHICH THE HISTORIC RESOURCE IS LOCATED DETER-
MINES THE STATE EQUALIZED VALUATION OF THAT PORTION, THAT
ASSESSOR'S DETERMINATION SHALL BE USED FOR PURPOSES OF THIS
SUBDIVISION. IF THE ASSESOR DOES NOT DETERMINE THAT STATE EQUAL-
25 IZED VALUATION OF THAT PORTION, QUALIFIED EXPEN-
26 DITURES, FOR PURPOSES OF THIS SUBDIVISION, SHALL BE EQUAL TO OR

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1 GREATER THAN 5% OF THE APPRAISED VALUE AS DETERMINED BY A
2 CERTIFIED APPRAISER.

3 (K) "REHABILITATION PLAN" MEANS A PLAN FOR THE REHABILITATION OF
4 A HISTORIC RESOURCE THAT MEETS THE FEDERAL SECRETARY OF THE
5 INTERIOR'S STANDARDS FOR REHABILITATION AND GUIDELINES FOR REHA-
6 BILITATION OF HISTORIC BUILDINGS UNDER 36 C.F.R. 67.