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BILL ANALYSIS

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Senate Bill 1597 (as enacted) **PUBLIC ACT 500 of 2008**
Sponsor: Senator Mark C. Jansen
Senate Committee: Economic Development and Regulatory Reform
House Committee: Commerce

Date Completed: 7-7-09

CONTENT

The bill amended the Commercial Rehabilitation Act to do all of the following:

- **Revise the definition of "qualified retail food establishment".**
- **Establish an alternative formula for the amount of a commercial rehabilitation tax for a qualified retail food establishment issued a certificate on or before December 31, 2009.**
- **Extend the period during which rehabilitation may begin before an application for a commercial rehabilitation exemption certificate for a qualified retail food establishment is filed.**

The bill took effect on January 13, 2009.

"Qualified Retail Food Establishment"

The Act allows a qualified local governmental unit (a city, village, or township) to establish a commercial redevelopment district consisting of a qualified facility (unless the county containing the district disapproves it). A qualified facility is a building or group of buildings that is commercial property meeting criteria specified in the Act. The owner of a qualified facility may apply for a commercial rehabilitation exemption certificate. If a certificate is granted, the building or group of buildings is exempt from ad valorem taxes under the General Property Tax Act and subject to the commercial rehabilitation tax, which essentially freezes the taxable value of the facility for the duration of the certificate. A certificate may be issued for one to 10 years.

Public Act 231 of 2008 amended the Commercial Rehabilitation Act to include a "qualified retail food establishment" in the definition of "qualified facility". A qualified retail food establishment is property that will be used primarily as a retail supermarket, grocery store, produce market, or delicatessen that offers USDA-inspected meat and poultry products, fresh fruits and vegetables, and dairy products for sale to the public and that is located in an underserved area. Previously, the definition referred to "fresh" USDA-inspected meat and poultry products. The bill instead refers to "unprocessed" USDA-inspected meat and poultry products, and includes meat products that carry the USDA organic seal.

Tax Formula

The Act specifies a formula for determining the amount of the commercial rehabilitation tax.

Under the bill, the annual amount of the tax for a qualified retail food establishment that is issued a certificate on or before December 31, 2009, will be determined by an alternative calculation based on the taxable value of the property on the December 31 immediately preceding the rehabilitation, rather than the December 31 immediately preceding the effective date of the commercial rehabilitation exemption certificate.

Commencement of Rehabilitation

Under the Act, a local unit's legislative body may not approve an application for a commercial rehabilitation exemption certificate unless the applicant meets certain requirements. Previously, through December 31, 2009, for a qualified retail food establishment, the commencement of the rehabilitation could not occur earlier than 36 months before the applicant filed the application for the certificate. Under the bill, the rehabilitation may not begin earlier than 42 months before the applicant files the application.

MCL 207.842 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill will have a minimal effect on local tax revenue and no impact on State tax revenue. The bill alters, for qualifying retail food establishments, the taxable value used to compute the tax liability and the relevant time frame within which rehabilitation must begin in order to be eligible for a certificate. The applicable value is changed from the value on the December 31 before the effective date of the exemption certificate, to the value on the December 31 before the rehabilitation. If the rehabilitation is started before the effective date of the certificate, the change will likely reduce the taxable value and thus lower local unit revenue. The amount of any change in revenue to local units will depend upon the specific characteristics of the property affected.

Fiscal Analyst: David Zin