

RESIDENTIAL FACILITIES EXEMPTION

*Senate Bill 422 - Senator Ken Horn
House Bill 4827 - Representative John Roth*



SUMMARY OF BILL

The creation of a Residential Facilities Exemption would allow a temporary tax abatement on qualified new housing development in districts established by local units of government. This bill as proposed would function similar to the previous Industrial Facilities Exemption law.

The Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech and industrial facilities in districts established by local governments. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government.

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 and the Michigan Economic Development Corporation. The State Tax Commission (STC) is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the STC.

HOW DOES IT WORK?

The approach for residential facilities would behave similar to the industrial facilities exemption. Local governments would have the ability to establish residential facility districts used to provide tax abatements for qualified residential facilities. The abatement would enable renovation and expansion of aging residential units and assist in or encourage the building of new residential units in these districts.

The process would generally consist of three basic steps:

Step 1: Establish a district: Districts are established by resolution of the local unit of government according to parameters identified in the enabling legislation regarding size/number of parcels.

Step 2: Eligible residential facilities: Qualified new housing developments may include multifamily or single-family homes that are targeted toward populations earning below 120% of area median income, with assurances that the units are occupied as a principal residence (year-round) to eligible households.

Step 3: Tax Benefits: Tax benefits are granted by the legislative body of the city, township or village in which the investment will be located. Exemption from ad valorem real property taxes on the residential facility for 1-12 years. Exemption covers only the specific project that is the subject of the application. Any additions or modifications made after the completion of the project are fully taxable.