

DRAFT 1
SUBSTITUTE FOR
SENATE BILL NO. 54

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
(MCL 206.1 to 206.713) by adding sections 266a and 676.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 266a. (1) Subject to the limitations under this section,
2 a qualified taxpayer with a certificate of completed rehabilitation
3 issued pursuant to subsection (4) after December 31, 2020 and
4 before January 1, 2031 may credit against the tax imposed by this
5 part the amount determined pursuant to subsection (2) for the
6 qualified expenditures for the rehabilitation of a historic
7 resource pursuant to the rehabilitation plan in the year in which
8 the certificate of completed rehabilitation of the historic



1 resource is issued. The qualified taxpayer shall initially claim a
2 credit under this section within 5 years after the certificate of
3 completed rehabilitation is issued pursuant to subsection (4). If
4 the credit is not initially claimed within 5 years after the
5 certificate is issued, the certificate is no longer valid and the
6 qualified taxpayer is no longer eligible to claim a credit under
7 this section for that rehabilitation plan. Only those expenditures
8 that are paid or incurred during the time periods prescribed for
9 the credit under section 47(a)(2) of the internal revenue code and
10 any related treasury regulations shall be considered qualified
11 expenditures.

12 (2) Subject to the limitations under this section, a qualified
13 taxpayer that has claimed and received a credit for qualified
14 expenditures under section 47(a)(2) of the internal revenue code or
15 has entered into an agreement under subsection (10) may claim a
16 credit under this section equal to 25% of the qualified
17 expenditures that are eligible, or would have been eligible except
18 that the qualified taxpayer entered into an agreement under
19 subsection (10), for the credit under section 47(a)(2) of the
20 internal revenue code or, if the qualified taxpayer is not eligible
21 for the credit under section 47(a)(2) of the internal revenue code,
22 25% of the qualified expenditures that would qualify under section
23 47(a)(2) of the internal revenue code except that the expenditures
24 are made to a historic resource that is not eligible for the credit
25 under section 47(a)(2) of the internal revenue code.

26 (3) To be eligible for the credit under this section, a person
27 shall submit an application and a rehabilitation plan to the state
28 historic preservation office. Completed applications must be
29 considered in the order in which the office received the completed



1 applications and approved or denied within 120 days of receipt of
2 the completed applications. If the office determines that the
3 application is complete and the rehabilitation plan meets the
4 criteria for a credit under this section, the office shall issue a
5 preapproval letter to the applicant that states that the
6 rehabilitation plan qualifies for the credit under this section and
7 the maximum total amount of the credit reserved for which a credit
8 may be claimed when the project is complete and a certificate of
9 completed rehabilitation is issued for qualified expenditures
10 pursuant to that rehabilitation plan. If an application is denied
11 under this subsection, the applicant may file an appeal in a form
12 and manner as prescribed by the office or subsequently reapply for
13 the same rehabilitation plan or for another rehabilitation plan, or
14 both. Subject to the limitations under this section, the total of
15 all credits reserved under preapproval letters for rehabilitation
16 plans approved under this section and section 676 shall not exceed
17 \$5,000,000.00 per calendar year. To the extent the office receives
18 applications for the rehabilitation of small nonresidential
19 historic resources for credits in excess of \$2,000,000.00, not less
20 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be
21 approved for small nonresidential historic resources. To the extent
22 the office receives applications for the rehabilitation of large
23 nonresidential historic resources for credits in excess of
24 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
25 each calendar year shall be approved for large nonresidential
26 historic resources. To the extent the office receives applications
27 for the rehabilitation of residential historic resources for
28 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of
29 the \$5,000,000.00 each calendar year shall be approved for



1 residential historic resources. The office shall not issue a
2 preapproval letter or certificate of completed rehabilitation that
3 authorizes a qualified taxpayer to claim a credit of more than
4 \$2,000,000.00 in a single tax year for the same historic resource.
5 If, for any calendar year, the office issues preapproval letters
6 and reserves the maximum amount of tax credits allowed under this
7 section for that calendar year, the office shall notify all
8 applicants who have submitted completed applications and
9 rehabilitation plans then awaiting approval or submitted for
10 approval after the calculation is made that no additional
11 preapproval letters for rehabilitation plans will be issued during
12 that calendar year. The office shall also notify those applicants
13 of the priority number given to the applicant's application and
14 rehabilitation plan awaiting approval. The applications and plans
15 will remain in priority status for 2 years from the date of the
16 original application and plan and will be considered for approval
17 and reservation of tax credits in the priority order established in
18 this subsection in the event that additional credits become
19 available resulting from the rescission of approvals under this
20 subsection or subsection (5) and at the beginning of the next
21 calendar year. An applicant that has received a preapproval letter
22 shall commence rehabilitation, if it has not previously begun,
23 within 1 year after the issuance of the preapproval letter and
24 complete the rehabilitation plan within 8 years after the issuance
25 of the preapproval letter or the office will rescind the
26 preapproval letter and reallocate the amount of the credit reserved
27 for that rehabilitation plan. Upon completion of a rehabilitation
28 plan for which a preapproval letter was issued, the applicant shall
29 submit to the office documentation that the rehabilitation is



1 complete and the completed rehabilitation of the historic resource
2 meets the criteria under subsection (6) and either of the
3 following:

4 (a) All of the following criteria:

5 (i) The historic resource contributes to the significance of
6 the historic district in which it is located or is individually
7 listed on the National Register of Historic Places or state
8 register of historic sites.

9 (ii) Both the rehabilitation plan and completed rehabilitation
10 of the historic resource meet the federal secretary of the
11 interior's standards for rehabilitation and guidelines for
12 rehabilitating historic buildings, 36 CFR part 67.

13 (iii) All rehabilitation work has been done to or within the
14 walls, boundaries, or structures of the historic resource or to
15 historic resources located within the property boundaries of the
16 resource.

17 (b) The applicant has received certification from the national
18 park service that the historic resource's significance, the
19 rehabilitation plan, and the completed rehabilitation qualify for
20 the credit allowed under section 47(a)(2) of the internal revenue
21 code.

22 (4) The office shall verify that the rehabilitation is
23 complete and meets the criteria under subsection (3). However, if
24 the applicant is eligible for the credit allowed under section
25 47(a)(2) of the internal revenue code, additional documentation
26 that the rehabilitation is complete for the credit allowed under
27 this section is not required. Within 120 days after receiving
28 verification, in a form and manner as prescribed by the office,
29 that the rehabilitation is complete and meets the requirements of



1 subsection (3), the office shall issue a certificate of completed
2 rehabilitation to the applicant that states the rehabilitation plan
3 submitted by the applicant has been completed, the amount of
4 qualified expenditures, and the total amount of the credit allowed
5 to be claimed by a qualified taxpayer under this section. If the
6 amount of qualified expenditures incurred exceeds the amount of the
7 tax credits reserved by the preapproval letter issued under
8 subsection (3), the applicant may submit a request to the office,
9 in a form and manner as prescribed by the office, for the issuance
10 and approval of a certificate of completed rehabilitation in excess
11 of the amount initially authorized in the preapproval letter. If
12 the office determines that less than \$5,000,000.00 has been
13 reserved under preapproval letters issued for the calendar year,
14 after priority has been given to those notified under subsection
15 (3), then the office may issue a certificate of completed
16 rehabilitation in excess of the amount included in the preapproval
17 letter.

18 (5) The office may inspect a historic resource at any time
19 during the rehabilitation process and may revoke the preapproval
20 letter or the certificate of completed rehabilitation if the
21 rehabilitation was not undertaken as represented in the
22 rehabilitation plan or if unapproved alterations to the completed
23 rehabilitation are made within 5 years after the tax year in which
24 the certificate of completed rehabilitation was issued. The office
25 shall promptly notify the department of a revocation.

26 (6) Qualified expenditures for the rehabilitation of a
27 historic resource may be used to calculate the credit under this
28 section if the historic resource is 1 of the following during the
29 tax year in which a credit under this section is claimed for those



1 qualified expenditures:

2 (a) Individually listed on the National Register of Historic
3 Places or state register of historic sites.

4 (b) A contributing resource located within a historic district
5 listed on the National Register of Historic Places or the state
6 register of historic sites.

7 (c) A contributing resource located within a historic district
8 designated by a local unit pursuant to an ordinance adopted under
9 the local historic districts act, 1970 PA 169, MCL 399.201 to
10 399.215.

11 (7) A person that has been issued a certificate of completed
12 rehabilitation under subsection (4) may assign all or any portion
13 of the credit allowed under this section. A credit assignment under
14 this subsection is irrevocable and shall be made in the tax year in
15 which a certificate of completed rehabilitation is issued. A
16 qualified taxpayer may claim a portion of a credit and assign the
17 remaining amount. If the qualified taxpayer both claims and assigns
18 portions of the credit, the qualified taxpayer shall claim the
19 portion it claims in the tax year in which a certificate of
20 completed rehabilitation is issued pursuant to this section. Except
21 as otherwise provided under this subsection, an assignee may
22 subsequently assign the credit or any portion of the credit
23 assigned under this subsection to 1 or more assignees. An
24 assignment or subsequent reassignment of a credit shall be made in
25 the year the certificate of completed rehabilitation is issued. A
26 credit assignment or subsequent reassignment under this section
27 shall be made on a form prescribed by the office. The office shall
28 review and issue a completed assignment or reassignment certificate
29 to the assignee or reassignee. A credit amount assigned under this



1 subsection may be claimed against the assignee's tax liability
2 under this part or part 2. A credit amount authorized or assigned
3 to a partnership, limited liability company, or subchapter S
4 corporation under this section or section 676 may be claimed
5 against the partner's, member's, or shareholder's tax liability
6 under this part based on the partner's, member's, or shareholder's
7 proportionate share of ownership or an alternative method approved
8 by the office. An assignee or subsequent reassignee shall attach a
9 copy of the completed assignment certificate to the annual return
10 required to be filed under this part for the tax year in which the
11 assignment or reassignment is made and the assignee or reassignee
12 first claims the credit, which shall be the same tax year.

13 (8) If the credit allowed under this section for the tax year
14 and any unused carryforward of the credit allowed by this section
15 exceed the qualified taxpayer's tax liability for the tax year,
16 that portion that exceeds the tax liability for the tax year shall
17 not be refunded but may be carried forward to offset tax liability
18 in subsequent tax years for 10 years or until used up, whichever
19 occurs first. If a qualified taxpayer has an unused carryforward of
20 a credit under this section, the amount otherwise added under
21 subsection (9) to the qualified taxpayer's tax liability may
22 instead be used to reduce the qualified taxpayer's carryforward
23 under this section.

24 (9) Except as otherwise provided under subsection (10), if a
25 certificate of completed rehabilitation is revoked under subsection
26 (5) or if the historic resource is sold or disposed of less than 5
27 years after the certificate of completed rehabilitation is issued,
28 the following percentage of the credit amount previously claimed
29 relative to that historic resource shall be added back to the tax



1 liability of the qualified taxpayer that received the certificate
2 of completed rehabilitation and not the assignee in the year of the
3 revocation:

4 (a) If the revocation is less than 1 year after the
5 certificate of completed rehabilitation is issued, 100%.

6 (b) If the revocation is at least 1 year but less than 2 years
7 after the certificate of completed rehabilitation is issued, 80%.

8 (c) If the revocation is at least 2 years but less than 3
9 years after the certificate of completed rehabilitation is issued,
10 60%.

11 (d) If the revocation is at least 3 years but less than 4
12 years after the certificate of completed rehabilitation is issued,
13 40%.

14 (e) If the revocation is at least 4 years but less than 5
15 years after the certificate of completed rehabilitation is issued,
16 20%.

17 (f) If the revocation is at least 5 years or more after the
18 certificate of completed rehabilitation is issued, an addback to
19 the qualified taxpayer tax liability is not required.

20 (10) Subsection (9) shall not apply if the qualified taxpayer
21 enters into a written agreement with the office that will allow for
22 the transfer or sale of the historic resource and provides the
23 following:

24 (a) Reasonable assurance that subsequent to the transfer the
25 property will remain a historic resource during the 5-year period
26 after the certificate of completed rehabilitation is issued.

27 (b) A method that the department can recover an amount from
28 the qualified taxpayer equal to the appropriate percentage of
29 credit added back as described under subsection (9).



1 (c) An encumbrance on the title to the historic resource being
2 sold or transferred, stating that the property must remain a
3 historic resource throughout the 5-year period after the
4 certificate of completed rehabilitation is issued.

5 (d) A provision for the payment by the qualified taxpayer of
6 all legal and professional fees associated with the drafting,
7 review, and recording of the written agreement required under this
8 subsection.

9 (11) The office may impose a fee to cover the administrative
10 cost of implementing the program under this section.

11 (12) The qualified taxpayer shall attach all of the following
12 to the qualified taxpayer's annual return under this part:

13 (a) Certificate of completed rehabilitation.

14 (b) Certification of historic significance related to the
15 historic resource and the qualified expenditures used to claim a
16 credit under this section.

17 (c) A completed assignment form if the qualified taxpayer is
18 an assignee under this section or section 676 of any portion of a
19 credit allowed under that section.

20 (13) The office may promulgate rules to implement this section
21 pursuant to the administrative procedures act of 1969, 1969 PA 306,
22 MCL 24.201 to 24.328.

23 (14) The total of the credits claimed under this section and
24 section 676 for a rehabilitation project shall not exceed 25% of
25 the total qualified expenditures eligible for the credit under this
26 section for that rehabilitation project.

27 (15) The office shall submit an economic impact report that
28 includes, to the extent available, all of the following to the
29 legislature annually for the immediately preceding state fiscal



1 year:

2 (a) The fee schedule used by the office and the total amount
3 of fees collected.

4 (b) A description of each rehabilitation project for which a
5 preapproval letter was issued and for each certificate of completed
6 rehabilitation issued. The description must include the total
7 rehabilitation costs, labor hours generated, jobs added, payroll
8 added, total capital investments, gain in property value after
9 rehabilitation, and the amount of income tax and sales tax
10 generated by the rehabilitation project.

11 (c) The location of each new and ongoing rehabilitation
12 project.

13 (16) As used in this section:

14 (a) "Contributing resource" means a historic resource that
15 contributes to the significance of the historic district in which
16 it is located.

17 (b) "Detroit Consumer Price Index" means the most
18 comprehensive index of consumer prices available for the Detroit
19 area from the United States Department of Labor, Bureau of Labor
20 Statistics.

21 (c) "Historic district" means an area, or group of areas not
22 necessarily having contiguous boundaries, that contains 1 resource
23 or a group of resources that are related by history, architecture,
24 archaeology, engineering, or culture.

25 (d) "Historic resource" means a publicly or privately owned
26 historic building, structure, site, object, feature, or open space
27 located within a historic district designated by the National
28 Register of Historic Places, the state register of historic sites,
29 or a local unit acting under the local historic districts act, 1970



1 PA 169, MCL 399.201 to 399.215; or that is individually listed on
2 the state register of historic sites or National Register of
3 Historic Places.

4 (e) "Large nonresidential historic resource" means a nonowner-
5 occupied, income producing historic resource that has a
6 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
7 more.

8 (f) "Local unit" means a county, city, village, or township.

9 (g) "Long-term lease" means a lease term of at least 27.5
10 years for a residential resource or at least 31.5 years for a
11 nonresidential resource.

12 (h) "Open space" means undeveloped land, a naturally
13 landscaped area, or a formal or man-made landscaped area that
14 provides a connective link or a buffer between other resources.

15 (i) "Qualified expenditures" means capital expenditures that
16 qualify, or would qualify except that the qualified taxpayer
17 entered into an agreement under subsection (10), for a
18 rehabilitation credit under section 47(a)(2) of the internal
19 revenue code if the qualified taxpayer is eligible for the credit
20 under section 47(a)(2) of the internal revenue code or, if the
21 applicant is not eligible for the credit under section 47(a)(2) of
22 the internal revenue code, the qualified expenditures that would
23 qualify under section 47(a)(2) of the internal revenue code except
24 that the expenditures are made to a historic resource that is not
25 eligible for the credit under section 47(a)(2) of the internal
26 revenue code, that were paid. Qualified expenditures do not include
27 capital expenditures for nonhistoric additions to a historic
28 resource except an addition that is required by state or federal
29 regulations that relate to historic preservation, safety, or



1 accessibility.

2 (j) "Qualified taxpayer" means a person that is an assignee
3 under this section or section 676 or that either owns the resource
4 to be rehabilitated or has a long-term lease agreement with the
5 owner of the historic resource and that has qualified expenditures
6 for the rehabilitation of the historic resource that satisfies
7 either of the following:

8 (i) For the rehabilitation of a residential historic resource,
9 qualified expenditures equal to or greater than \$1,000.00. The
10 \$1,000.00 amount must be annually adjusted for inflation using the
11 Detroit Consumer Price Index.

12 (ii) For the rehabilitation of a historic resource that is not
13 a residential historic resource, qualified expenditures equal to or
14 greater than 10% of the state equalized valuation of the property.
15 If the historic resource to be rehabilitated is a portion of a
16 historic or nonhistoric resource, the state equalized valuation of
17 only that portion of the property shall be used for purposes of
18 this subparagraph. If the assessor for the local tax collecting
19 unit in which the historic resource is located determines the state
20 equalized valuation of that portion, that assessor's determination
21 shall be used for purposes of this subparagraph. If the assessor
22 does not determine that state equalized valuation of that portion,
23 qualified expenditures, for purposes of this subparagraph, shall be
24 equal to or greater than 5% of the appraised value as determined by
25 a certified appraiser. If the historic resource to be rehabilitated
26 does not have a state equalized valuation, qualified expenditures
27 for purposes of this subparagraph shall be equal to or greater than
28 5% of the appraised value of the resource as determined by a
29 certified appraiser.



1 (k) "Rehabilitation plan" means a plan for the rehabilitation
2 of a historic resource that meets the federal Secretary of the
3 Interior's standards for rehabilitation and guidelines for
4 rehabilitation of historic buildings under 36 CFR part 67.

5 (l) "Residential historic resource" means a non-income
6 producing historic resource that is an owner-occupied dwelling.

7 (m) "Small nonresidential historic resource" means a nonowner-
8 occupied, income producing historic resource that has a
9 rehabilitation plan with qualified expenditures of less than
10 \$2,000,000.00.

11 (n) "State historic preservation office" or "office" means the
12 state historic preservation office created by Executive Order No.
13 2007-53 and transferred to the Michigan strategic fund by Executive
14 Reorganization Order No. 2019-3, MCL 125.1998.

15 Sec. 676. (1) Subject to the limitations under this section, a
16 qualified taxpayer with a certificate of completed rehabilitation
17 issued pursuant to subsection (4) after December 31, 2020 and
18 before January 1, 2031 may credit against the tax imposed by this
19 part the amount determined pursuant to subsection (2) for the
20 qualified expenditures for the rehabilitation of a historic
21 resource pursuant to the rehabilitation plan in the year in which
22 the certificate of completed rehabilitation of the historic
23 resource is issued. The qualified taxpayer shall initially claim a
24 credit under this section within 5 years after the certificate of
25 completed rehabilitation is issued pursuant to subsection (4). If
26 the credit is not initially claimed within 5 years after the
27 certificate is issued, the certificate is no longer valid and the
28 qualified taxpayer is no longer eligible to claim a credit under
29 this section for that rehabilitation plan. Only those expenditures



1 that are paid or incurred during the time periods prescribed for
2 the credit under section 47(a)(2) of the internal revenue code and
3 any related treasury regulations shall be considered qualified
4 expenditures.

5 (2) Subject to the limitations under this section, a qualified
6 taxpayer that has claimed and received a credit for qualified
7 expenditures under section 47(a)(2) of the internal revenue code or
8 has entered into an agreement under subsection (10) may claim a
9 credit under this section equal to 25% of the qualified
10 expenditures that are eligible, or would have been eligible except
11 that the qualified taxpayer entered into an agreement under
12 subsection (10), for the credit under section 47(a)(2) of the
13 internal revenue code or, if the qualified taxpayer is not eligible
14 for the credit under section 47(a)(2) of the internal revenue code,
15 25% of the qualified expenditures that would qualify under section
16 47(a)(2) of the internal revenue code except that the expenditures
17 are made to a historic resource that is not eligible for the credit
18 under section 47(a)(2) of the internal revenue code.

19 (3) To be eligible for the credit under this section, a person
20 shall submit an application and a rehabilitation plan to the state
21 historic preservation office. Completed applications must be
22 considered in the order in which the office received the completed
23 applications and approved or denied within 120 days of receipt of
24 the completed applications. If the office determines that the
25 application is complete and the rehabilitation plan meets the
26 criteria for a credit under this section, the office shall issue a
27 preapproval letter to the applicant that states that the
28 rehabilitation plan qualifies for the credit under this section and
29 the maximum total amount of the credit reserved for which a credit



1 may be claimed when the project is complete and a certificate of
2 completed rehabilitation is issued for qualified expenditures
3 pursuant to that rehabilitation plan. If an application is denied
4 under this subsection, the applicant may file an appeal in a form
5 and manner as prescribed by the office or subsequently reapply for
6 the same rehabilitation plan or for another rehabilitation plan, or
7 both. Subject to the limitations under this section, the total of
8 all credits reserved under preapproval letters for rehabilitation
9 plans approved under this section and section 266a shall not exceed
10 \$5,000,000.00 per calendar year. To the extent the office receives
11 applications for the rehabilitation of small nonresidential
12 historic resources for credits in excess of \$2,000,000.00, not less
13 than \$2,000,000.00 of the \$5,000,000.00 each calendar year shall be
14 approved for small nonresidential historic resources. To the extent
15 the office receives applications for the rehabilitation of large
16 nonresidential historic resources for credits in excess of
17 \$2,000,000.00, not less than \$2,000,000.00 of the \$5,000,000.00
18 each calendar year shall be approved for large nonresidential
19 historic resources. To the extent the office receives applications
20 for the rehabilitation of residential historic resources for
21 credits in excess of \$1,000,000.00, not less than \$1,000,000.00 of
22 the \$5,000,000.00 each calendar year shall be approved for
23 residential historic resources. The office shall not issue a
24 preapproval letter or certificate of completed rehabilitation that
25 authorizes a qualified taxpayer to claim a credit of more than
26 \$2,000,000.00 in a single tax year for the same historic resource.
27 If, for any calendar year, the office issues preapproval letters
28 and reserves the maximum amount of tax credits allowed under this
29 section for that calendar year, the office shall notify all



1 applicants who have submitted completed applications and
2 rehabilitation plans then awaiting approval or submitted for
3 approval after the calculation is made that no additional
4 preapproval letters for rehabilitation plans will be issued during
5 that calendar year. The office shall also notify those applicants
6 of the priority number given to the owner's application and
7 rehabilitation plan awaiting approval. The applications and plans
8 will remain in priority status for 2 years from the date of the
9 original application and plan and will be considered for approval
10 and reservation of tax credits in the priority order established in
11 this subsection in the event that additional credits become
12 available resulting from the rescission of approvals under this
13 subsection or subsection (5) and at the beginning of the next
14 calendar year. An applicant that has received a preapproval letter
15 shall commence rehabilitation, if it has not previously begun,
16 within 1 year after the issuance of the preapproval letter and
17 complete the rehabilitation plan within 8 years after the issuance
18 of the preapproval letter or the office will rescind the
19 preapproval letter and reallocate the amount of the credit reserved
20 for that rehabilitation plan. Upon completion of a rehabilitation
21 plan for which a preapproval letter was issued, the applicant shall
22 submit to the office documentation that the rehabilitation is
23 complete and the completed rehabilitation of the historic resource
24 meets the criteria under subsection (6) and either of the
25 following:

26 (a) All of the following criteria:

27 (i) The historic resource contributes to the significance of
28 the historic district in which it is located or is individually
29 listed on the National Register of Historic Places or state



1 register of historic sites.

2 (ii) Both the rehabilitation plan and completed rehabilitation
3 of the historic resource meet the federal Secretary of the
4 Interior's standards for rehabilitation and guidelines for
5 rehabilitating historic buildings, 36 CFR part 67.

6 (iii) All rehabilitation work has been done to or within the
7 walls, boundaries, or structures of the historic resource or to
8 historic resources located within the property boundaries of the
9 property.

10 (b) The applicant has received certification from the National
11 Park Service that the historic resource's significance, the
12 rehabilitation plan, and the completed rehabilitation qualify for
13 the credit allowed under section 47(a)(2) of the internal revenue
14 code.

15 (4) The office shall verify that the rehabilitation is
16 complete and meets the criteria under subsection (3). However, if
17 the applicant is eligible for the credit allowed under section
18 47(a)(2) of the internal revenue code, additional documentation
19 that the rehabilitation is complete for the credit allowed under
20 this section is not required. Within 120 days after receiving
21 verification, in a form and manner as prescribed by the office,
22 that the rehabilitation is complete and meets the requirements of
23 subsection (3), the office shall issue a certificate of completed
24 rehabilitation to the applicant that states the rehabilitation plan
25 submitted by the applicant has been completed, the amount of
26 qualified expenditures, and the total amount of the credit allowed
27 to be claimed by a qualified taxpayer under this section. If the
28 amount of qualified expenditures incurred exceeds the amount of the
29 tax credits reserved by the preapproval letter issued under



1 subsection (3), the applicant may submit a request to the office,
2 in a form and manner as prescribed by the office, for the issuance
3 and approval of a certificate of completed rehabilitation in excess
4 of the amount initially authorized in the preapproval letter. If
5 the office determines that less than \$5,000,000.00 has been
6 reserved under preapproval letters issued for the calendar year,
7 after priority has been given to those notified under subsection
8 (3), then the office may issue a certificate of completed
9 rehabilitation in excess of the amount included in the preapproval
10 letter.

11 (5) The office may inspect a historic resource at any time
12 during the rehabilitation process and may revoke the preapproval
13 letter or the certificate of completed rehabilitation if the
14 rehabilitation was not undertaken as represented in the
15 rehabilitation plan or if unapproved alterations to the completed
16 rehabilitation are made within 5 years after the tax year in which
17 the certificate of completed rehabilitation was issued. The office
18 shall promptly notify the department of a revocation.

19 (6) Qualified expenditures for the rehabilitation of a
20 historic resource may be used to calculate the credit under this
21 section if the historic resource is 1 of the following during the
22 tax year in which a credit under this section is claimed for those
23 qualified expenditures:

24 (a) Individually listed on the National Register of Historic
25 Places or state register of historic sites.

26 (b) A contributing resource located within a historic district
27 listed on the National Register of Historic Places or the state
28 register of historic sites.

29 (c) A contributing resource located within a historic district



1 designated by a local unit pursuant to an ordinance adopted under
2 the local historic districts act, 1970 PA 169, MCL 399.201 to
3 399.215.

4 (7) A person that has been issued a certificate of completed
5 rehabilitation under subsection (4) may assign all or any portion
6 of the credit allowed under this section. A credit assignment under
7 this subsection is irrevocable and shall be made in the tax year in
8 which a certificate of completed rehabilitation is issued. A
9 qualified taxpayer may claim a portion of a credit and assign the
10 remaining amount. If the qualified taxpayer both claims and assigns
11 portions of the credit, the qualified taxpayer shall claim the
12 portion it claims in the tax year in which a certificate of
13 completed rehabilitation is issued pursuant to this section. Except
14 as otherwise provided under this subsection, an assignee may
15 subsequently assign the credit or any portion of the credit
16 assigned under this subsection to 1 or more assignees. An
17 assignment or subsequent reassignment of a credit shall be made in
18 the year the certificate of completed rehabilitation is issued. A
19 credit assignment or subsequent reassignment under this section
20 shall be made on a form prescribed by the office. The office shall
21 review and issue a completed assignment or reassignment certificate
22 to the assignee or reassignee. If the qualified taxpayer assigns
23 all or any portion of the credit allowed under this section to a
24 partnership, limited liability company, or subchapter S
25 corporation, then the assignees are its partners, members, or
26 shareholders based on the partner's, member's, or shareholder's
27 proportionate share of ownership or on an alternative method
28 approved by the office. A credit amount assigned under this
29 subsection may be claimed against the assignee's tax liability



1 under this part or part 1. An assignee or subsequent reassignee
2 shall attach a copy of the completed assignment certificate to the
3 annual return required to be filed under this part for the tax year
4 in which the assignment or reassignment is made and the assignee or
5 reassignee first claims the credit, which shall be the same tax
6 year.

7 (8) If the credit allowed under this section for the tax year
8 and any unused carryforward of the credit allowed by this section
9 exceed the qualified taxpayer's tax liability for the tax year,
10 that portion that exceeds the tax liability for the tax year shall
11 not be refunded but may be carried forward to offset tax liability
12 in subsequent tax years for 10 years or until used up, whichever
13 occurs first. If a qualified taxpayer has an unused carryforward of
14 a credit under this section, the amount otherwise added under
15 subsection (9) to the qualified taxpayer's tax liability may
16 instead be used to reduce the qualified taxpayer's carryforward
17 under this section.

18 (9) Except as otherwise provided under subsection (10), if a
19 certificate of completed rehabilitation is revoked under subsection
20 (5) or a historic resource is sold or disposed of less than 5 years
21 after the certificate of completed rehabilitation is issued, the
22 following percentage of the credit amount previously claimed
23 relative to that historic resource shall be added back to the tax
24 liability of the qualified taxpayer that received the certificate
25 of completed rehabilitation and not the assignee in the year of the
26 revocation:

27 (a) If the revocation is less than 1 year after the
28 certificate of completed rehabilitation is issued, 100%.

29 (b) If the revocation is at least 1 year but less than 2 years



1 after the certificate of completed rehabilitation is issued, 80%.

2 (c) If the revocation is at least 2 years but less than 3
3 years after the certificate of completed rehabilitation is issued,
4 60%.

5 (d) If the revocation is at least 3 years but less than 4
6 years after the certificate of completed rehabilitation is issued,
7 40%.

8 (e) If the revocation is at least 4 years but less than 5
9 years after the certificate of completed rehabilitation is issued,
10 20%.

11 (f) If the revocation is at least 5 years or more after the
12 certificate of completed rehabilitation is issued, an addback to
13 the qualified taxpayer tax liability is not required.

14 (10) Subsection (9) shall not apply if the qualified taxpayer
15 enters into a written agreement with the office that will allow for
16 the transfer or sale of the historic resource and provides the
17 following:

18 (a) Reasonable assurance that subsequent to the transfer the
19 property will remain a historic resource during the 5-year period
20 after the certificate of completed rehabilitation is issued.

21 (b) A method that the department can recover an amount from
22 the qualified taxpayer equal to the appropriate percentage of
23 credit added back as described under subsection (9).

24 (c) An encumbrance on the title to the historic resource being
25 sold or transferred, stating that the property must remain a
26 historic resource throughout the 5-year period after the
27 certificate of completed rehabilitation is issued.

28 (d) A provision for the payment by the qualified taxpayer of
29 all legal and professional fees associated with the drafting,



1 review, and recording of the written agreement required under this
2 subsection.

3 (11) The office may impose a fee to cover the administrative
4 cost of implementing the program under this section.

5 (12) The qualified taxpayer shall attach all of the following
6 to the qualified taxpayer's annual return required under this part,
7 if applicable, on which the credit is claimed:

8 (a) Certificate of completed rehabilitation.

9 (b) Certification of historic significance related to the
10 historic resource and the qualified expenditures used to claim a
11 credit under this section.

12 (c) A completed assignment form if the qualified taxpayer or
13 assignee has assigned any portion of a credit allowed under this
14 section or if the qualified taxpayer is an assignee of any portion
15 of a credit allowed under this section.

16 (13) The office may promulgate rules to implement this section
17 pursuant to the administrative procedures act of 1969, 1969 PA 306,
18 MCL 24.201 to 24.328.

19 (14) The total of the credits claimed under this section and
20 section 266a for a rehabilitation project shall not exceed 25% of
21 the total qualified expenditures eligible for the credit under this
22 section for that rehabilitation project.

23 (15) The office shall submit an economic impact report that
24 includes, to the extent available, all of the following to the
25 legislature annually for the immediately preceding state fiscal
26 year:

27 (a) The fee schedule used by the office and the total amount
28 of fees collected.

29 (b) A description of each rehabilitation project for which a



1 preapproval letter is issued and for each certificate of completed
2 rehabilitation issued. The description must include the total
3 rehabilitation costs, labor hours generated, jobs added, payroll
4 added, total capital investments, gain in property value after
5 rehabilitation, and the amount of income tax and sales tax
6 generated by the rehabilitation project.

7 (c) The location of each new and ongoing rehabilitation
8 project.

9 (16) As used in this section:

10 (a) "Contributing resource" means a historic resource that
11 contributes to the significance of the historic district in which
12 it is located.

13 (b) "Detroit Consumer Price Index" means the most
14 comprehensive index of consumer prices available for the Detroit
15 area from the United States Department of Labor, Bureau of Labor
16 Statistics.

17 (c) "Historic district" means an area, or group of areas not
18 necessarily having contiguous boundaries, that contains 1 resource
19 or a group of resources that are related by history, architecture,
20 archaeology, engineering, or culture.

21 (d) "Historic resource" means a publicly or privately owned
22 historic building, structure, site, object, feature, or open space
23 located within a historic district designated by the National
24 Register of Historic Places, the state register of historic sites,
25 or a local unit acting under the local historic districts act, 1970
26 PA 169, MCL 399.201 to 399.215; or that is individually listed on
27 the state register of historic sites or National Register of
28 Historic Places.

29 (e) "Large nonresidential historic resource" means a nonowner-



1 occupied, income producing historic resource that has a
2 rehabilitation plan with qualified expenditures of \$2,000,000.00 or
3 more.

4 (f) "Local unit" means a county, city, village, or township.

5 (g) "Long-term lease" means a lease term of at least 27.5
6 years for a residential resource or at least 31.5 years for a
7 nonresidential resource.

8 (h) "Open space" means undeveloped land, a naturally
9 landscaped area, or a formal or man-made landscaped area that
10 provides a connective link or a buffer between other resources.

11 (i) "Qualified expenditures" means capital expenditures that
12 qualify, or would qualify except that the qualified taxpayer
13 entered into an agreement under subsection (10), for a
14 rehabilitation credit under section 47(a)(2) of the internal
15 revenue code if the qualified taxpayer is eligible for the credit
16 under section 47(a)(2) of the internal revenue code or, if the
17 applicant is not eligible for the credit under section 47(a)(2) of
18 the internal revenue code, the qualified expenditures that would
19 qualify under section 47(a)(2) of the internal revenue code except
20 that the expenditures are made to a historic resource that is not
21 eligible for the credit under section 47(a)(2) of the internal
22 revenue code that were paid. Qualified expenditures do not include
23 capital expenditures for nonhistoric additions to a historic
24 resource except an addition that is required by state or federal
25 regulations that relate to historic preservation, safety, or
26 accessibility.

27 (j) "Qualified taxpayer" means a person that is an assignee
28 under this section or section 266a or that either owns the resource
29 to be rehabilitated or has a long-term lease agreement with the



1 owner of the historic resource and that has qualified expenditures
 2 for the rehabilitation of the historic resource that satisfies
 3 either of the following:

4 (i) For the rehabilitation of a historic resource that is not a
 5 residential historic resource, qualified expenditures equal to or
 6 greater than 10% of the state equalized valuation of the property.
 7 If the historic resource to be rehabilitated is a portion of a
 8 historic or nonhistoric resource, the state equalized valuation of
 9 only that portion of the property shall be used for purposes of
 10 this subdivision. If the assessor for the local tax collecting unit
 11 in which the historic resource is located determines the state
 12 equalized valuation of that portion, that assessor's determination
 13 shall be used for purposes of this subdivision. If the assessor
 14 does not determine that state equalized valuation of that portion,
 15 qualified expenditures, for purposes of this subdivision, shall be
 16 equal to or greater than 5% of the appraised value as determined by
 17 a certified appraiser. If the historic resource to be rehabilitated
 18 does not have a state equalized valuation, qualified expenditures
 19 for purposes of this subdivision shall be equal to or greater than
 20 5% of the appraised value of the resource as determined by a
 21 certified appraiser.

22 (ii) For the rehabilitation of a residential historic resource,
 23 qualified expenditures equal to or greater than \$1,000.00. The
 24 dollar amount established under this subparagraph must be annually
 25 adjusted for inflation using the Detroit Consumer Price Index.

26 (k) "Rehabilitation plan" means a plan for the rehabilitation
 27 of a historic resource that meets the federal Secretary of the
 28 Interior's standards for rehabilitation and guidelines for
 29 rehabilitation of historic buildings under 36 CFR part 67.



1 (l) "Residential historic resource" means a non-income
2 producing historic resource that is an owner-occupied dwelling.

3 (m) "Small nonresidential historic resource" means a nonowner-
4 occupied, income producing historic resource that has a
5 rehabilitation plan with qualified expenditures of less than
6 \$2,000,000.00.

7 (n) "State historic preservation office" or "office" means the
8 state historic preservation office created by Executive Order No.
9 2007-53 and transferred to the Michigan strategic fund by Executive
10 Reorganization Order No. 2019-3, MCL 125.1998.

