

COMMERCIAL REHABILITATION TAX ABATEMENT

DESCRIPTION

Public Act 210 of 2005 encourages the rehabilitation of commercial property that is at least 15 years old by abating the taxes on new investment.

ELIGIBILITY

As defined, commercial property is a qualified facility which is primarily used in the operation of a commercial business. Certain residential development improvements are also eligible for abatement under this act. Land and personal property are not eligible.

A qualified facility means any of the following:

- A building or group of contiguous buildings of commercial property that is at least 15 years old;
- Has been allocated for a new markets tax credit; or
- A qualified retail food establishment such as a supermarket, grocery store, produce market, or delicatessen that offers unprocessed USDA-inspected meat and poultry products or meat products that carry the USDA organic seal, fresh fruits and vegetables, and dairy products for sale to the public.
- A qualified retail food establishment must be in an underserved arealt does not include property that is to be used as a professional sports stadium or a casino.

Rehabilitation is defined as changes made to qualified facilities that are required to modify the property to an economically efficient condition. The new investment in the rehabbed property must result in improvements aggregating to no more than 10 percent of the true cash value of the property at commencement of the rehabilitation of the qualified facility. Rehabilitation for a qualified retail food establishment also includes new construction.

PROCESS

The Detroit City Council must first establish a Commercial Rehabilitation District through a resolution. Once the district is established, the property owners may file an application for a Commercial Rehabilitation Exemption Certificate with the city clerk. Final approval will then come from the State Tax Commission (STC). Upon approval, the property owner will pay a Commercial Rehabilitation Tax rather than the normal property tax. The certificate may be issued for a period of at least one year, but cannot exceed 10 years. Certificates initially issued for less than 10 years may be extended, but shall not exceed 10 years.

The Commercial Rehabilitation Tax freezes the taxable value of the building and exempts the new investment from local taxes. The school operating tax and the State Education Tax (SET) are still levied on the new investment. Land and personal property cannot be abated under this act.

The applicant has six months after starting construction to file an application for the certificate. It is recommended that the applicant files before starting construction.

No new exemptions can be granted after December 31, 2015

If you have questions about this incentive or how to take advantage of it, please call DEGC Business Development Intake at (313) 237-4630.

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