FACT SHEET
House Bills 4503 & 4504 - Proposed Updates to the Michigan Historic Preservation Tax Credit

The first Michigan Historic Preservation Tax Credit proved its worth -

Gov. John Engler signed the first Michigan Historic Preservation Tax Credit (HTC) into law in 1999 after years of advocacy by the Michigan Historic Preservation Network (MHPN). The 25% credit was integral to restoration projects from Detroit to Menominee. Phased out in 2011 by Gov. Rick Snyder, the program had leveraged $71 M in credits to generate $1.46 B of investment in Michigan projects. It leveraged an additional $251 M in federal tax credits, federal dollars that would not otherwise have returned to Michigan. It led to the creation of 36,000 jobs. In all, each $1.00 of credit leveraged $10.56 in direct economic impact.

Reinstatement of the HTC in 2020 was a first step -

In the 2020 lame-duck session, the Legislature passed PA 343, reinstating the popular 25% credit program for both income-producing and residential projects. The drawback was the credits were capped at $5 M annually, an amount proven to be woefully inadequate when the application portal opened on June 15, 2022. Within 5 hours of opening, income-producing project applications had been received representing $368 M in qualified expenditures translating into $92 M of credit requests.

The current program illustrates the need for a greatly increased annual credit cap -

Now into its fourth grant cycle, the HTC program is up-and-running. Credits have been reserved, or are now awarded, for 61 projects. These reflect $167 M in qualified rehabilitation expenses (QRE) and, by the close of this grant cycle, will use the $20 M in credits available. How does this reflect a program that could expand? First, the $167 M in QRE would ideally have claimed 25% of that in credits, or $42 M. Available credits met less than half the need. Second, the program remains self-limiting with only 15-20 projects selected each year when, in the former program that had no annual credit cap, 65-70 projects were being assisted in the final years. And third, for 2025, we have already reached the cap for large income-producing projects and have applications that likely will utilize the credits through 2027. Small income-producing projects also will meet or exceed their available credits for 2025.

House Bills 4503 and 4504 propose game-changing enhancements to the HTC -

On May 20, 2025, two bills were enrolled to update the HTC. One is for corporate income tax, HB 4503, sponsored by Rep. Joey Andrews (D). The second bill is for individual income tax, HB 4504, sponsored by Rep. Steve Frisbie. Their wording is identical.

Here are important changes:

- The credit cap is increased from $5 M to $100 M.

- To 'level the playing field' among the sizes of income-producing projects, applications are accepted in three categories:

  Large income-producing projects -
  - A large project has qualified expenditures of $10 M or more.
  - $70 M of the $100 M in annual credits are allotted for large projects.
  - Each project may apply for up to $10 M in credits.

  Medium income-producing projects -
  - A medium project has qualified expenditures of at least $1 M but less than $10 M.
  - $20 M of the $100 M in annual credits are allotted for medium projects.
  - Each project may apply for up to $2.5 M in credits.

  Small income-producing projects -
  - A small project has qualified expenditures of less than $1 M.
  - $5 M of the $100 M in annual credits are allotted for small projects.
  - Each project may apply for up to $300,000 in credits.

  A fourth category with the final $5 M in annual credits is exclusively for residential projects of any size. Additionally, a process allows unused credits to be reallocated among the categories to ensure none go to waste.

- The credit is increased from 25% to 30% for small income-producing projects and residential projects.

- The number of ways in which a building can establish eligibility for the HTC is expanded. Currently, an eligible building is one listed in the National Register, the State Register, or a local historic district established under PA 169 (1970), and, within one of these, is confirmed to be individually listed or contributing to a district. Four more paths to eligibility are now added which, for example, provide access to the smallest towns and unincorporated, often rural, areas of the state.

- Applicants are “an individual, partnership, corporation, association, governmental entity, *or other legal entity*.” This ensures that such entities as non-profits may also participate.

- The Michigan HTC can be combined with the Federal HTC for income-producing projects.

- An applicant can hold a long-term lease, development agreement, or purchase agreement with the owner of a property.

- The definition for small income-producing projects is expanded to allow owner-occupancy – i.e. a Bed & Breakfast, a storefront with the owner’s residence above. And the definition for residential projects is expanded beyond single-family homes to include condominium units, multi-unit dwellings, and multi-purpose structures.

Why support passage of HB 4503 and HB 4504?

- While big economic development programs are needed for large cities, preservation projects frequently are the best fit for small towns and mid-sized communities. With passage of HBs 5403 and 5404, the credits can indeed fill financing gaps for large projects in Michigan’s aging urban cores, but also help historic buildings in the smallest communities and rural areas.

- Preservation work provides much needed housing at all price-points and for all age-groups, sustainably recycling all types of historic buildings – from schools and mills, to factories and office buildings.

- A preservation project’s return on investment provides enormous local benefits. Often being smaller, projects tap local lumber yards and hardware stores for construction materials. Those who work on them can be hired locally, which means they spend their earnings locally and pay local taxes.

Preservation plays an important role in keeping traditional downtowns and neighborhoods vital. In addition to attracting both young professionals and retirees – and everyone in between – these authentic, walkable places are cultural centers for their regions and heritage tourism destinations. Smart, adaptive reuse is flourishing: A former department store becomes a business incubator and the old high school becomes senior housing. In every case, valuable real estate is back on local and state tax rolls.

The HTC is the only program singularly focused on the state’s oldest real estate that often exhibits the most intractable problems. Without a bureaucracy choosing “winners and losers” or committing funds before work is begun, the person doing the work carries all the costs and risk until their project is completed. Only then are they awarded the credits that they have *earned*.

We request your support! Historic preservation projects have been a key part of nearly every successful “revitalization” story in Michigan’s older communities. The Michigan Historic Preservation Tax Credit is the most powerful tool available to revitalize historic buildings and their communities.





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