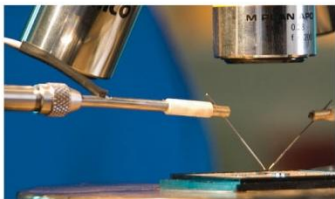




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# Property Tax Abatement Programs

P.A. 198 of 1974 and P.A. 328 of 1998

March 5, 2009

## Focus on...

- MBT Exemptions
- P.A. 198 of 1974
- P.A. 328 of 1998
- Border County Incentives

# Michigan Business Tax Exemptions

# Property Classifications

- **Industrial**
- **Commercial**
- Agricultural
- Residential
- Utility (personal only)
- Developmental (real only)
- Timber cutover (real only)

# Millage Rate Example: Industrial Personal Property

<b>Jurisdiction</b>	<b>Tax Levy</b>	<b>Exempt</b>
County Operating	8.7185	
City Operating	5.5432	
Community College	2.8221	
ISD	2.9162	
Local School Mills	0	18
Local School Debt	2	
State Educ. Tax	0	6
<b>Total:</b>	<b>22.0000</b>	<b>24</b>

# Millage Rate Example: Commercial Personal Property

<b>Jurisdiction</b>	<b>Tax Levy</b>	<b>Exempt</b>
County Operating	8.7185	
City Operating	5.5432	
Community College	2.8221	
ISD	2.9162	
Local School Mills	6	12
Local School Debt	2	
State Educ. Tax	6	
<b>Total:</b>	<b>34.0000</b>	<b>12</b>

Leased industrial personal property is classified commercial.

# Industrial Development Facilities Exemption P.A. 198 of 1974

## Incentive Used To

- Retain and attract business
- Create and retain jobs
- Renovate and expand obsolete plants

**Reduces property taxes by 50% on investment for new property.**

## Eligible Purpose and Use

- Manufacturing
- High-technology activity
- Research and development laboratories
- Large communications center

## **Also related manufacturing facilities...**

- Office
- Engineering
- Research and Development
- Warehousing
- Parts Distribution

## Who Can Approve?

- City
- Village
- Township

# Eligible Property

## Real Property

- New buildings and improvements

## Personal Property

(not permanently affixed to a building)

- Machinery and equipment
- Furniture and fixtures
- Other personal property
- Owned or leased

## Time Sensitive

- Company must request district first
- Six months to file application
- Deadline – Local governmental unit must file application with the State Tax Commission (STC) by close of business on October 31st

## Step 1: Establish District

1. Schedule Hearing to establish district
2. Notice of Hearing
3. Conduct Hearing
4. Resolution approving/denying

## Step 2: Approve Application

60 days  
60 days  
60 days

5. File application
6. Notices of Hearing
7. Conduct Hearing
8. Resolution approving or denying
9. If approved, sent to State Tax Commission (STC) within 60 days

## Conditions

- Triggered by request to establish district
- Negotiated by the local government
- Granted for 1 to 12 years
- MEDC and STC review for compliance

# Industrial Facilities Exemption

- New 'real' property impact:
  - TV x half mills levied as ad valorem  
(minus land and inventory)
- New 'industrial' personal property impact:
  - TV x half mills levied as ad valorem (24-mills exempt)
- New 'commercial' personal property impact:
  - TV x half mills levied as ad valorem (12-mills exempt)
- Rehabilitation impact:
  - Freezes previous year's TV before improvements

	<b>PA198</b>
Term:	Up to 12 years for each investment
Abatement:	50% Real and Personal Property
Land:	NO
Building:	YES (new only)
Personal Property:	YES

# Personal Property Tax Exemption P.A. 328 of 1998

- 100% property tax relief on NEW personal property
  - Machinery and Equipment
  - Furniture and Fixtures
  - Office Machines/Electronics/Testing Equipment
  - Computers
  - Special Tooling
- Owned or leased

- Negotiated and approved by the legislative body of a distressed community, county seat, or some communities in border counties
- Length is negotiated at the local level
- Exempts all new personal property within the boundaries of a district or zone

## Economic Requirements

- Must reduce unemployment
- Promote economic growth
- Increase capital investment

## Eligible Industries

- Manufacturing
- Mining
- Research and Development
- Wholesale Trade
- Office Operations
- MEGA Projects

## Step 1: Establish District

- Industrial Development District
- Renaissance Zone
- Enterprise Zone
- Brownfield Redevelopment Zone
- Empowerment Zone
- Tax Increment Financing District
- Local Development Finance District
- Downtown Development District

## Step 2: Approve Application

60 days

2. Notices of Hearing
3. Conduct Hearing
4. Resolution approving or denying
5. If approved, sent to State Tax Commission

	<b>PA328</b>
Term:	Unlimited/Negotiated for designated timeframe
Abatement:	100% Personal Property Only
Land:	NO
Building:	NO
Personal Property:	YES

# Incentives for Michigan's Border Counties

PA 198 of 1974

And

PA 328 of 1998

## Border Counties

- Berrien
- Branch
- Cass
- Chippewa
- Dickinson
- Gogebic
- Hillsdale
- Iron
- Lenawee
- Menominee
- Monroe
- St. Clair
- St. Joseph
- Wayne

## **P.A. 198 of 1974 (as amended)**

Eligible activities in border counties are:

- Warehousing
- Distribution
- Logistic facilities

At least 90% of the property, excluding the surrounding green space, must be used for these purposes, and occupy a building or structure of at least 100,000 square feet in size.

## **P.A. 328 of 1998 (as amended)**

- Eligible businesses

The business must locate in a local governmental unit that is served by four of the following services: water, sewer, police, fire, trash, or recycling.

And...

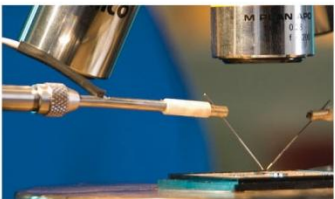
The project would not have happened without this incentive.



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