

# **INDUSTRIAL FACILITIES TAX ABATEMENT PROCESS**

**P.A. 198 of 1974,  
as amended**

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# Locating Property Tax Exemption Forms on the Michigan Department of Treasury Website:

Act 198 Industrial Facilities – Act 250 Water and Air Pollution Control – Act 328 New Personal Property – Act 146 Obsolete Property Rehabilitation Exemption - and Neighborhood Enterprise Zone Information Packets are available on the following Property Tax web page:

<http://www.michigan.gov/taxes/0,1607,7-238-43535---,00.html>

## **Directly to Information Packets:**

|                                    |  |
|------------------------------------|--|
| Act 198 – IFT Application:         | <a href="http://www.michigan.gov/documents/1012_packet_94624_7.pdf">www.michigan.gov/documents/1012_packet_94624_7.pdf</a>   |
| Act 451 – Water Pollution:         | <a href="http://www.michigan.gov/documents/891_packet_94626_7.pdf">www.michigan.gov/documents/891_packet_94626_7.pdf</a>   |
| Act 451 – Air Pollution: *         | <a href="http://www.michigan.gov/documents/3828_packet_94625_7.pdf">www.michigan.gov/documents/3828_packet_94625_7.pdf</a>   |
| Act 146 – Obsolete Property:       | <a href="http://www.michigan.gov/documents/146_packet_98456_7.pdf">www.michigan.gov/documents/146_packet_98456_7.pdf</a>   |
| Act 328 – New Personal Property:   | <a href="http://www.michigan.gov/documents/328__packet_98459_7.pdf">www.michigan.gov/documents/328__packet_98459_7.pdf</a>   |
| Act 147 – Neighborhood Enterprise: | <a href="http://www.michigan.gov/documents/2704_packet_113571_7.pdf">www.michigan.gov/documents/2704_packet_113571_7.pdf</a>                                       |
| IFT Supplemental Information: **   | <a href="http://www.michigan.gov/taxes/0,1607,7-238-43535_43537_43942-157971--,00.html">www.michigan.gov/taxes/0,1607,7-238-43535_43537_43942-157971--,00.html</a> |

\*\* Please refer to the following Department of Environmental Quality website documents for additional assistance in completing an air pollution control tax exemption application.

DEQ Air Quality Webpage:  
[www.michigan.gov/deq/0,1607,7-135-3310---,00.html](http://www.michigan.gov/deq/0,1607,7-135-3310---,00.html)

DEQ Air Pollution Guidance Document:  
[www.deq.state.mi.us/documents/DEQ-AQD-Tax\\_exemption\\_application\\_guidance\\_document.pdf](http://www.deq.state.mi.us/documents/DEQ-AQD-Tax_exemption_application_guidance_document.pdf)

DEQ Permit Guide Book:  
[www.deq.state.mi.us/documents/deq-ess-permits-permitguidebook.pdf](http://www.deq.state.mi.us/documents/deq-ess-permits-permitguidebook.pdf)

DEQ Operational Memorandum #6 – Emissions Units:  
[www.deq.state.mi.us/documents/deq-aqd-opmemo6.pdf](http://www.deq.state.mi.us/documents/deq-aqd-opmemo6.pdf)

DEQ Environmental Permits, Licenses, and Certifications:  
[http://www.michigan.gov/deq/1,1607,7-135-6132\\_6830---,00.html](http://www.michigan.gov/deq/1,1607,7-135-6132_6830---,00.html)

\*\*For additional assistance with IFT reporting, please contact the Local Audit & Finance Division at (517) 335-5065.

**MICHIGAN DEPARTMENT OF TREASURY  
BUREAU OF LOCAL GOVERNMENT SERVICES  
PROPERTY SERVICES DIVISION  
TAX EXEMPTION SECTION**

**~QUICK REFERENCE PHONE CONTACTS~**

PATRICK HUBER  
MANAGER  
517-335-1002  
[HuberP@michigan.gov](mailto:HuberP@michigan.gov)

DEBBY ABBRUZZESE  
517-373-3302  
[abbruzzesed@michigan.gov](mailto:abbruzzesed@michigan.gov)

Act 147 (Neighborhood Enterprise & Neighborhood Homestead – NEZ)  
Commercial Forest & MSHDA

NANCY ARMSTRONG  
517-373-3272  
[armstrongn@michigan.gov](mailto:armstrongn@michigan.gov)

Act 198 (Industrial Facilities - IFT) General Information, Application Process & Denials  
Act 198 (Industrial Facilities - IFT) Transfers & Amendments  
Act 198 (Industrial Facilities - IFT) Revocations  
Act 451 (Air Pollution -Part 59) & (Water Pollution -Part 37)  
Act 146 (Obsolete Property Rehabilitation - OPRA)  
Act 328 (New Personal Property)  
Act 210 (Commercial Rehabilitation)  
Act 276 (Tool & Die Recovery Zones)  
Acts 244 & 245 (Innovation Centers)  
Exemption Information Packets, Forms, Applications & Samples  
Department of Treasury Website Reports ([www.michigan.gov/treasury](http://www.michigan.gov/treasury))

# Summary of Property Tax Exemptions

## **Industrial Facilities (IFT):**

PA 198 of 1974, as amended, provides a tax incentive to manufacturers in order to enable renovation and expansion of aging facilities, building of new facilities, and to promote establishment of high tech facilities. An IFT certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a period of 1 to 12 years, to be determined by the local unit of government. A certificate holder will pay a specific tax known as the Industrial Facility Tax. Applications are filed with the clerk of the local unit, are reviewed and approved locally. All applications are subject to review at the state level by the Property Services Division and the Michigan Economic Development Corporation. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission.

## **Water Pollution Control:**

PA 451 of 1994, Part 37, as amended, provides 100% property and sales tax exemption to facilities which are designed and operated primarily for control, capture and removal of industrial waste from the water. The Department of Environmental Quality reviews all applications and makes recommendation to the State Tax Commission regarding qualification. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission.

## **Air Pollution Control:**

PA 451 of 1994, Part 59, as amended, provides 100% property and sales tax exemption to facilities which are designed and operated for the primary purpose of controlling or disposing of air pollution that if released would render the air harmful or inimical to the public health or to property within this state. The Department of Environmental Quality reviews all applications and makes recommendation to the State Tax Commission regarding qualification. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission.

## **New Personal Property:**

PA 328 of 1998, as amended, provides 100% property tax exemption for specific businesses located in eligible distressed communities. The exemption is for all new personal property placed in a district that has been established by the local unit of government. The local unit of government determines the number of years granted and may grant any number of years for the exemption. Applications are approved at the local and state levels. The State Tax Commission is ultimately responsible for final approval. Exemptions are not effective until approved by the Commission.

## **Obsolete Property Rehabilitation (OPRA):**

PA 146 of 2000, as amended, provides commercial and commercial housing property tax exemptions. The property must meet the required obsolescence of the Act and be stated in a finding from an eligible community assessor. The property must be located in an established OPRA District. Exemptions are approved for one to twelve years to be determined by the local unit of government. The property taxes are based on the previous years (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the certificate. In addition, each year the State Treasurer may approve 25 additional reductions of half the school operating and state education taxes for a period not to exceed six years. Applications are approved at the local and state levels. The State Tax Commission is ultimately responsible for final approval. Exemptions are not effective until approved by the Commission.

## **Summary of Property Tax Exemptions Continued**

### **Neighborhood Enterprise (NEZ):**

PA 147 of 1992, as amended, provides for the development, rehabilitation, and homestead exemption of residential housing located in eligible distressed communities. A certificate holder will pay a specific tax known as the Neighborhood Enterprise Zone Tax. Applications are filed, reviewed and approved locally, but are also subject to review at the state level by the Property Services Division. Exemptions are approved for a new, rehabilitated, or homestead facility as allowed by the Act. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission.

### **Commercial Rehabilitation:**

PA 210 of 2005, as amended, provides a tax incentive for the rehabilitation of obsolete commercial property for the primary purpose and use of a commercial business or multifamily residential facility. The property must meet the required obsolescence of the Act and be stated in a finding from an eligible community assessor. The property must be located in an established commercial rehabilitation district. Exemptions are approved for one to ten years to be determined by the local unit of government. The property taxes are based on the previous years (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the certificate. The State Tax Commission is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the Commission.

# Application for Industrial Facilities Tax Exemption Certificate

Issued under authority of Public Act 198 of 1974, as amended. Filing is mandatory.

**INSTRUCTIONS:** File the original and two copies of this form and the required attachments (three complete sets) with the clerk of the local government unit. The State Tax Commission (STC) requires two complete sets (one original and one copy). One copy is retained by the clerk. If you have any questions regarding the completion of this form or would like to request an informational packet, call (517) 373-3272.

| To be completed by Clerk of Local Government Unit |                               |
|---|-------------------------------|
| Signature of Clerk                                | ▶ Date received by Local Unit |
| STC Use Only                                      |                               |
| ▶ Application Number                              | ▶ Date Received by STC        |

## APPLICANT INFORMATION

All boxes must be completed.

|   |  |                   |
|---|--|-------------------|
| ▶ 1a. Company Name (Applicant must be the occupant/operator of the facility)  | ▶ 1b. Standard Industrial Classification (SIC) Code - Sec. 2(10) (4 or 6 Digit Code) |                   |
| ▶ 1c. Facility Address (City, State, ZIP Code) (real and/or personal property location)   | ▶ 1d. City/Township/Village (indicate which)   | ▶ 1e. County      |
| ▶ 2. Type of Approval Requested<br><input type="checkbox"/> New (Sec. 2(4)) <input type="checkbox"/> Transfer (1 copy only)<br><input type="checkbox"/> Speculative Building (Sec. 3(8)) <input type="checkbox"/> Rehabilitation (Sec. 3(1))<br><input type="checkbox"/> Research and Development (Sec. 2(9)) | ▶ 3a. School District where facility is located                                      | ▶ 3b. School Code |
| 4. Amount of years requested for exemption (1-12 Years)   |  |                   |

5. Per section 5, the application shall contain or be accompanied by a general description of the facility and a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement, or construction to be undertaken, a descriptive list of the equipment that will be part of the facility. Attach additional page(s) if more room is needed.

|  |   |                                |
|--|---|--------------------------------|
| 6a. Cost of land and building improvements (excluding cost of land) .....  | ▶ |                                |
| * Attach list of improvements and associated costs.<br>* Also attach a copy of building permit if project has already begun. |   | Real Property Costs            |
| 6b. Cost of machinery, equipment, furniture and fixtures .....   | ▶ |                                |
| * Attach itemized listing with month, day and year of beginning of installation, plus total                                  |   | Personal Property Costs        |
| 6c. Total Project Costs .....  | ▶ |                                |
| * Round Costs to Nearest Dollar  |   | Total of Real & Personal Costs |

7. Indicate the time schedule for start and finish of construction and equipment installation. Projects must be completed within a two year period of the effective date of the certificate unless otherwise approved by the STC.

|                                |                           |                         |  |
|--------------------------------|---------------------------|-------------------------|--|
|                                | <u>Begin Date (M/D/Y)</u> | <u>End Date (M/D/Y)</u> |  |
| Real Property Improvements     | ▶ _____                   | ▶ _____                 | ▶ <input type="checkbox"/> Owned <input type="checkbox"/> Leased |
| Personal Property Improvements | ▶ _____                   | ▶ _____                 | ▶ <input type="checkbox"/> Owned <input type="checkbox"/> Leased |

▶ 8. Are State Education Taxes reduced or abated by the Michigan Economic Development Corporation (MEDC)? If yes, applicant must attach a signed MEDC Letter of Commitment to receive this exemption.     Yes     No

▶ 9. No. of existing jobs at this facility that will be retained as a result of this project.                      ▶ 10. No. of new jobs at this facility expected to create within 2 years of completion.

11. Rehabilitation applications only: Complete a, b and c of this section. You must attach the assessor's statement of SEV for the entire plant rehabilitation district and obsolescence statement for property. The Taxable Value (TV) data below must be as of December 31 of the year prior to the rehabilitation.

|  |  |
|--|--|
| a. TV of Real Property (excluding land) .....          |  |
| b. TV of Personal Property (excluding inventory) ..... |  |
| c. Total TV .....                                      |  |

▶ 12a. Check the type of District the facility is located in:  
 Industrial Development District                       Plant Rehabilitation District

▶ 12b. Date district was established by local government unit (contact local unit)                      ▶ 12c. Is this application for a speculative building (Sec. 3(8))?  
 Yes                       No

**APPLICANT CERTIFICATION - complete all boxes.**

The undersigned, authorized officer of the company making this application certifies that, to the best of his/her knowledge, no information contained herein or in the attachments hereto is false in any way and that all are truly descriptive of the industrial property for which this application is being submitted.

It is further certified that the undersigned is familiar with the provisions of P.A. 198 of 1974, as amended, being Sections 207.551 to 207.572, inclusive, of the Michigan Compiled Laws; and to the best of his/her knowledge and belief, (s)he has complied or will be able to comply with all of the requirements thereof which are prerequisite to the approval of the application by the local unit of government and the issuance of an Industrial Facilities Exemption Certificate by the State Tax Commission.

|  |                       |                       |                     |
|--|-----------------------|-----------------------|---------------------|
| 13a. Preparer Name                                       | 13b. Telephone Number | 13c. Fax Number       | 13d. E-mail Address |
| 14a. Name of Contact Person                              | 14b. Telephone Number | 14c. Fax Number       | 14d. E-mail Address |
| ▶ 15a. Name of Company Officer (No Authorized Agents)    |                       |                       |                     |
| 15b. Signature of Company Officer (No Authorized Agents) |                       | 15c. Fax Number       | 15d. Date           |
| ▶ 15e. Mailing Address (Street, City, State, ZIP Code)   |                       | 15f. Telephone Number | 15g. E-mail Address |

**LOCAL GOVERNMENT ACTION & CERTIFICATION - complete all boxes.**

This section must be completed by the clerk of the local governing unit before submitting application to the State Tax Commission. Check items on file at the Local Unit and those included with the submittal.

|  |   |
|--|---|
| ▶ 16. Action taken by local government unit<br><input type="checkbox"/> Abatement Approved for _____ Yrs Real (1-12), _____ Yrs Pers (1-12)<br>After Completion <input type="checkbox"/> Yes <input type="checkbox"/> No<br><br><input type="checkbox"/> Denied (Include Resolution Denying)   | 16b. The State Tax Commission Requires the following documents be filed for an administratively complete application:<br><b>Check or Indicate N/A if Not Applicable</b><br><input type="checkbox"/> 1. Original Application plus attachments, and one complete copy<br><input type="checkbox"/> 2. Resolution establishing district<br><input type="checkbox"/> 3. Resolution approving/denying application.<br><input type="checkbox"/> 4. Letter of Agreement (Signed by local unit and applicant)<br><input type="checkbox"/> 5. Affidavit of Fees (Signed by local unit and applicant)<br><input type="checkbox"/> 6. Building Permit for real improvements if project has already begun<br><input type="checkbox"/> 7. Equipment List with dates of beginning of installation<br><input type="checkbox"/> 8. Form 3222 (if applicable)<br><input type="checkbox"/> 9. Speculative building resolution and affidavits (if applicable) |
| 16a. Documents Required to be on file with the Local Unit<br><b>Check or Indicate N/A if Not Applicable</b><br><input type="checkbox"/> 1. Notice to the public prior to hearing establishing a district.<br><input type="checkbox"/> 2. Notice to taxing authorities of opportunity for a hearing.<br><input type="checkbox"/> 3. List of taxing authorities notified for district and application action.<br><input type="checkbox"/> 4. Lease Agreement showing applicants tax liability. |   |
| 16c. LUCI Code   | 16d. School Code  |
| 17. Name of Local Government Body  | ▶ 18. Date of Resolution Approving/Denying this Application   |

**Attached hereto is an original and one copy of the application and all documents listed in 16b. I also certify that all documents listed in 16a are on file at the local unit for inspection at any time.**

|  |                    |                     |
|--|--------------------|---------------------|
| 19a. Signature of Clerk                                      | 19b. Name of Clerk | 19c. E-mail Address |
| 19d. Clerk's Mailing Address (Street, City, State, ZIP Code) |                    |                     |
| 19e. Telephone Number  | 19f. Fax Number    |                     |

State Tax Commission Rule Number 57: Complete applications approved by the local unit and received by the State Tax Commission by October 31 each year will be acted upon by December 31. Applications received after October 31 may be acted upon in the following year.

Local Unit: Mail one original and one copy of the completed application and all required attachments to:

**State Tax Commission  
Michigan Department of Treasury  
P.O. Box 30471  
Lansing, MI 48909-7971**

(For guaranteed receipt by the STC, it is recommended that applications are sent by certified mail.)

| STC USE ONLY |                   |                       |                 |                     |
|--------------|-------------------|-----------------------|-----------------|---------------------|
| ▶ LUCI Code  | ▶ Begin Date Real | ▶ Begin Date Personal | ▶ End Date Real | ▶ End Date Personal |

## **Instruction for Completing Form 1012, Industrial Facilities Tax Exemption (IFT) Application**

The completed original application form 1012 and all required attachments, plus two additional copies, **MUST** be filed with the clerk of the local unit of government where the facility is or will be located. Complete applications must be received by the State Tax Commission by October 31 to ensure processing and certification for the following tax year. Applications received after the October 31 deadline will be processed as expeditiously as possible.

Please note that attachments listed on the application in number 16a are to be retained by the local unit of government, and attachments listed in number 16b are to be included with the application when forwarding to the State Tax Commission (STC).

(Before commencement of a project the local unit of government must establish a district, or the applicant must request in writing a district be established, in order to qualify for an IFT abatement. Applications and attachments must be received by the local unit of government within six months of commencement of project.)

**The following information is required on separate documents attached to form 1012 by the applicant and provided to the local unit of government (city, township or village) in triplicate. (Providing an accurate school district where the facility is located is vital.)**

1. Legal description of the real property on which the facility is or will be located. Also provide property identification number if available.
2. Personal Property Requirements: Complete list of new machinery, equipment, furniture and fixtures which will be used in the facility. The list should include description, beginning date of installation or expected installation by month/day/year, and costs or expected costs (see sample). Detail listing of machinery and equipment must match amount shown on question 6b of the application. Personal property applications must have attached a certified statement/affidavit as proof of the beginning date of installation (see sample).
3. Real Property Requirements: Proof of date the construction started (groundbreaking). Applicant must include one of the following if the project has already begun; building permit, footings inspection report, or certified statement/affidavit from contractor indicating exact date of commencement.
4. Complete copy of lease agreement as executed, if

applicable, verifying lessee (applicant) has direct ad valorem real and/or personal property tax liability. The applicant must have real and/or personal property tax liability to qualify for an IFT abatement on leased property. If applying for a real property tax exemption on leased property, the lease must run the full length of time the abatement is granted by the local unit of government.

The following information is required of the local unit of government: [Please note that only items 2, 4, 5, 6, & 7 below are forwarded to the State Tax Commission with the application, along with items 2 & 3 from above. The original and one complete copy are required by the STC. The remaining items are to be retained at the local unit of government for future reference. **(The local unit must verify that the school district listed on all IFT applications is correct.)**]

1. A copy of the notice to the general public and the certified notice to the property owners concerning the establishment of the district.
2. Certified copy of the resolution establishing the Industrial Development District (IDD) or Plant Rehabilitation District (PRD), which includes a legal description of the district (see sample). If the district was not established prior to the commencement of construction, the local unit shall include a certified copy or date stamped copy of the written request to establish the district.
3. Copy of the notice and the certified letters to the taxing authorities regarding the hearing to approve the application.
4. Certified copy of the resolution approving the application. The resolution must include the number of years the local unit is granting the abatement and the statement "the granting of the Industrial Facilities Exemption Certificate shall not have the effect of substantially impeding the operation of (governmental unit), or impairing the financial soundness of a taxing unit which levies ad valorem property taxes in (governmental unit – see sample).
5. Letter of Agreement (signed by the local unit of government and the applicant per P.A. 334 of 1993 (see sample).



6. Affidavit of Fees (signed by the local unit of government and the applicant), (Bulletin 3, January 16, 1998). This statement may be incorporated into the Letter of Agreement (see sample).
7. Treasury Form 3222 (if applicable) - Fiscal Statement for Tax Abatement Request.

**The following information is required for rehabilitation applications in addition to the above requirements:**

1. A listing of existing machinery, equipment, furniture and fixtures which will be replaced or renovated. This listing should include description, beginning date of installation or expected installation by month/day/year, and costs or expected costs.
2. A rehabilitation application must include a statement from the Assessor showing the taxable valuation of the plant rehabilitation district, separately stated for real property (EXCLUDING LAND) and personal property. Attach a statement from the assessor indicating the obsolescence of the property being rehabilitated.

**The following information is required for speculative building applications in addition to the above requirements:**

1. A certified copy of the resolution to establish a speculative building.
2. A statement of non-occupancy from the owner and the assessor.

Please refer to the following Web site for P.A. 198 of 1974:  
<http://www.legislature.mi.gov/>.

For guaranteed receipt by the State Tax Commission, it is recommended that applications and attachments are sent by certified mail.

# ADMINISTRATIVE RULES OF THE STATE TAX COMMISSION

## Part 5. Industrial Facilities Exemption Certificate

### **R 209.51 Certificate application**

Rule 51. An application for an industrial facilities exemption certificate for a facility to be situated in a previously established rehabilitation district or industrial development district shall be made on form L-4380 prescribed by and furnished by the commission. The form shall be completely filled out. A local legislative body shall not act on an application for an industrial facilities exemption certificate which is not complete in every detail.

### **R 209.52 Notice of project abandonment or construction delay**

Rule 52. The holder of an industrial facilities exemption certificate shall notify the local unit, within 30 days, when a project for which the certificate was issued is abandoned. When a project is not abandoned but there is no construction progress for 180 days, the certificate holder shall notify the local unit of government within 210 days from the cessation of construction activity. The local unit of government shall inform the commission, in writing, within 10 days of receipt of notice of abandonment or delay.

### **R 209.53 Extension of time to complete project; request**

Rule 53. (1) A request for an extension of time for completion of a project, including the installation of all tangible personal property, provided for in section 15(2) of Act No. 198 of the Public Acts of 1974, as amended, being 207.565 (2) of the Michigan Compiled Laws, shall be filed with the local unit of government.

(2) Upon receipt of a request for extension, the local unit may do any of the following:

(a) Deny the request

(b) Approve the request with no change in the ending date of the certificate as issued.

(c) Approve the extension of time for the completion of the project and a revised ending date on the certificate.

(3) A request for an extension of time for the completion of a project shall be filed with the commission by the certificate holder and shall be accompanied by a resolution of approval adopted by the local governmental unit.

### **R 209.54 Revision of final project cost; approval; request for revised certificate**

Rule 54. (1) If the final cost of a project, either the real or tangible personal property components, will be greater by more than 10% of the estimated amount in item 6 of application form L-4380, a certificate holder shall request that the local governmental unit approve the revised cost.

(2) If a local unit of government approves a revised cost in accordance with subrule (1) of this rule, the holder of the certificate shall request that the commission issue a revised certificate. The request shall be accompanied by a copy of a resolution of approval adopted by the local governmental unit.

### **R 209.55 Notification of date of project completion; filing of final cost**

Rule 55. (1) The applicant for an industrial facilities exemption certificate or a holder of a certificate shall notify the assessing officer and the commission of the date of completion as explained in section 16 of Act No. 198 of the Public Acts of 1974, as amended, being 207.566 of the Michigan Compiled Laws.

(2) The notification of completion of the project shall be filed within 30 days of completion.

(3) The final cost of a facility shall be filed with the assessing officer and the commission within 90 days after completion.

### **R 209.56 Certificate duration; extension of expiration date**

Rule 56. (1) A certificate for an industrial facilities exemption shall not issue for a term longer than an existing lease on real estate.

(2) The commission shall extend the expiration date of a certificate upon receipt of a request from the holder and a copy of a renewal of the lease up to the maximum number of years approved by the local governmental unit.

### **R 209.57 Consideration of application**

Rule 57. All complete applications for industrial facilities exemption certificates received through October 31 shall receive consideration and action by the commission before December 31. An application received on or after November 1 shall be considered by the commission contingent upon staff availability.

Eff.: February 25, 1982



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JAY B. RISING  
STATE TREASURER

**Questions and Answers  
Regarding the Administration of the  
Industrial Facility Exemption  
(PA 198 of 1974)**

The following Questions and Answers are being provided as a service to assessors and taxpayers to better inform them about the administration of Public Act (PA) 198 of 1974. There is a list of abbreviations at the end of this paper. Also attached is a copy of PA 198 of 1974.

**Note: The Property Services Division of the Michigan Department of Treasury and the State Tax Commission are not authorized to issue legal opinions. Therefore, the comments in this publication are not to be considered as such, but rather as statements of fact as the State Tax Commission and the Property Services Division believe them to be.**

**1) What is the difference between an Industrial Development District and a Plant Rehabilitation District?**

The main difference is that an Industrial Development District covers only new facility projects and a Plant Rehabilitation District (PRD) is designed primarily for rehabilitation projects and requires a finding that 50% or more of the industrial property within the district is obsolete (See MCL 207.554(5)). The 50% obsolescence requirement is measured by dividing the State Equalized Value (SEV) of the obsolete properties by the SEV of all the properties in the district and multiplying the result by 100.

**2) Do you recommend that a PRD include only the project that is currently being rehabilitated?**

The PSD staff does recommend that a Plant Rehabilitation District (PRD) only include the project currently being rehabilitated. This is actually a recommendation which allows applicants to apply for additional replacement facilities where they otherwise might not be allowed. This is true because, in order to have a plant rehabilitation district, at least 50 percent of the properties in the rehabilitation district must be obsolete. This is measured by dividing the State Equalized Value (SEV) of the obsolete properties in the district by the SEV of all of the properties in the district and multiplying the result by 100.

In the case of a district which was created many years ago and encompassed many separate buildings, many separate IFT certificates would have been issued over the years. The result is that when the assessor calculates whether 50 percent of the properties in the district are obsolete, there are so many new and rehabilitated properties in the district

which are not obsolete and which have returned to the ad valorem roll, that the 50 percent requirement cannot be met.

The following procedure has been utilized to assist all concerned in identifying the exact perimeter of the project that is being replaced and the taxable value to be frozen.

- A) Designate a PRD with a legal description that specifically matches the description of the replacement portion or project to be **rehabilitated** in the application. The legal description of the district will encompass only the building or portion of the building or machinery and equipment that is being rehabilitated.

**Note:** While there is no provision in the Act to dissolve a district, a local unit may wish to consider writing a sunset clause in the PRD resolution, with the intent to dissolve the established PRD when the obsolescence is cured. The rationale behind this recommendation is that, after the completion of the rehabilitation project, it is likely that there is no longer 50% obsolescence to meet the requirement for an existing PRD district. If a district can be dissolved, it would preclude a company from applying to continue the frozen assessment because it would be necessary to re-establish the PRD. This would give the local unit the opportunity to un-freeze the assessment.

If a PRD includes more than the property currently being rehabilitated, an exemption certificate may be granted in the future to additional properties even though the local unit objects to it.

- B) Request that the assessor provide the Taxable Value of all of the real and/or personal property contained within the boundaries of the specifically described PRD. This figure becomes the frozen Taxable Value of the facility.

It has always been the practice of the State Tax Commission to request that the SEV/TV of the entire PRD for a rehab project be frozen. Many of the early applications involved projects in large established PRD districts where the SEVs of the entire PRDs were later found to include additional buildings/personal property that were contained within the district and frozen but were not being rehabilitated at the time of the application. This was sometimes found to be detrimental to both the company and the local units. The detriment for companies was that there was no allowance on frozen assessments for the depreciation of buildings or equipment. In order to correct the frozen assessment, the company would have to request revocation of the certificate.

### 3) **What is Industrial Property?**

In order to qualify for the IFEC, property must fit the definition of industrial property. Industrial Property is defined in section 2 of the Act as follows:

"Industrial property" means land improvements, buildings, structures, and other real property, and machinery, equipment, furniture, and fixtures or any part or accessory whether completed or in the process of construction comprising an integrated whole, the primary purpose and use of which is:

1. the engaging in a high-technology activity,
2. the manufacture of goods or materials,
3. the processing of goods and materials by physical or chemical change;

**Note:** "Manufacture of goods or materials' or "processing of goods or materials" means any type of operation that would be conducted by an entity included in the classifications provided by section 31-33 -- manufacturing, of the North American Industry Classification System -- United States, 1997, published by the Office of Management and Budget, regardless of whether the entity conducting that operation is included in that manual.

4. creation or synthesis of biodiesel fuel,
5. property acquired, constructed, altered, or installed due to the passage of proposal A in 1976;
6. the operation of a hydro-electric dam by a private company other than a public utility;
7. agricultural processing facilities,
8. facilities related to a manufacturing operation under the same ownership, including, but not limited to, office, engineering, research and development, warehousing, or parts distribution facilities,
9. research and development laboratories of companies other than those companies that manufacture the products developed from their research activities,
10. research development laboratories of a manufacturing company that are related to the products of the company,
11. an electric generating plant that is not owned by a local unit of government if the application is approved by the legislative body of a local government unit between June 30, 1999 and December 31, 2007,
12. convention and trade centers over 250,000 square feet in size,
13. a federal reserve bank operating under 12 U.S.C. 341, located in a city with a population of 750,000 or more.

**Note:** Industrial property may be owned or leased. However, in the case of leased property, the lessee is liable for payment of ad valorem property taxes and shall furnish proof of the liability

**Industrial property does not include any of the following:**

1. Land.
2. Property of a public utility other than an electric generating plant that is not owned by a local unit of government for which an application was approved by the legislative body of a local governmental unit between June 30, 1999 and December 31, 2007.
3. Inventory

**4) What constitutes obsolescence?**

The assessor must make a recommendation to the local governing unit that 50% or more of the property to be contained in a **plant rehabilitation district** is obsolete. "Obsolete industrial property" is defined in MCL 207.552(7) as "... industrial property the condition of which is substantially less than an economically efficient functional condition."

"Economically efficient functional condition" is further defined in MCL 207.552(8) as "... a state or condition of property the desirability and usefulness of which is not impaired due to changes in design, construction, technology, or improved production processes, or from external influencing factors which make the property less desirable and valuable for continued use."

The following are examples of the restoration of obsolete industrial property from MCL 207.553(6):

Restoration includes major renovation including but not necessarily limited to the improvement of floor loads, correction of deficient or excessive height, new or improved building equipment, including heating, ventilation, and lighting, reducing multistory facilities to 1 or 2 stores, improved structural support including foundations, improved roof structure and cover, floor replacement, improved wall placement, improved exterior and interior appearance of buildings, improvements or modifications of machinery and equipment to improve efficiency, decrease operating costs, or to increase productive capacity, and other physical changes as may be required to restore the industrial property to an economically efficient functional condition, and shall include land and building improvements and other tangible personal property incident to the improvements.

When the planned improvements are less than 10 percent of the true cash value of the industrial property, the improvements are delayed maintenance. (See MCL 207.553(6).

**5) Can a local unit refuse to establish an industrial development district or a plant rehabilitation district?**

A local unit can refuse to establish a district and the applicant can appeal no further. Once the district is established, the local unit cannot stop an application within the established district from being submitted, acted upon and given the full right to the appeal process.

**6) Is there a procedure for dissolving an industrial development district or a plant rehabilitation district?**

Guidelines for the dissolving of a district can be found in MCL 207.554(8), which states the following:

A local governmental unit, by resolution of its legislative body, may terminate a plant rehabilitation district or an industrial development district, if there are no industrial

facilities exemption certificates in effect in the plant rehabilitation district or the industrial development district on the date of the resolution to terminate.

**7) Is there a limit on the amount of an application fee which may be charged by a local unit of government for the cost of processing the application for an IFEC?**

Public Act 198, Section 5(3), as amended by Public Act 323 of 1996, specifically limits the amount of an exemption certificate application fee which may be charged by a unit of local government to the lesser of the actual cost of processing the application or two percent of total property taxes abated during the term that the exemption certificate is in effect. Act 198, as amended, specifically prohibits units of local government from charging exemption certificate applicants any other fee.

To ensure compliance with Act 198, the STC requires that there be attached to all exemption certificate applications an affidavit, signed by an official of the unit of local government and by a representative of the applicant, which states that no payment of any kind in excess of the fee allowed by Act 198 has been made or promised in exchange for favorable consideration of an exemption certificate application. If the STC determines, after an exemption certificate has been issued, that a payment of any kind in excess of the fee allowed by Act 198 has been made or promised, the STC shall revoke the exemption certificate and may pursue other appropriate sanctions against the parties.

It has come to the attention of the State Tax Commission (STC) that some units of local government may be requiring, as a condition precedent to approving Industrial Facilities Exemption Certificates pursuant to Public Act 198 of 1974, that applicants make, or promise to make, payments to the unit of local government. Whether they be referred to as "fees," "payments in lieu of taxes," "donations," or by other like terms, such payments are contrary to the legislative intent of Act 198 that exemption certificates have the effect of abating all ad valorem property taxes levied by taking units within the unit of local government which approves the exemption certificate.

The preceding discussion of application fees is taken from STC Bulletin 3 of 1998 which can be accessed on the Treasury Department Web site at [www.treasury.state.mi.us](http://www.treasury.state.mi.us).

**8) Are there provisions in the application process which are time sensitive?**

The State Tax Commission advises that Public Act 198 of 1974 contains several provisions which cause the application process to be very time-sensitive.

The following are examples:

1. Section 4(3) of the act requires that the request for the establishment of a proposed plant rehabilitation district or industrial development district must be made prior to the start of construction of the property for which exemption is being sought.
2. Section 9(2)(c) provides that the start of construction of the facility cannot occur more than 6 months before the filing of the application for the IFEC with the clerk of the local unit of government.

3. Section 5(1) provides that the application for the IFEC is not officially filed until the district has been established.
4. State Tax Commission Rule No. 57 states that a complete application (with all required attachments) received by the State Tax Commission on or before October 31 will be acted on by the Commission before December 31 of that year. Applications received after October 31 will be processed contingent upon staff availability.
5. Section 3(8)(b) provides that a speculative building must be constructed before a specific user of the building is identified.

**9) Is there a limit on the amount of time that an applicant can take to complete a project?**

Section 15 of Act 198, P.A. 1974 states that a certificate can be revoked if the project has not been completed in a two year time period from the issuance of the certificate. STC Rule #53, allows for a one-year extension of the time to complete a project. If a resolution is received by the STC and it does not specifically state that the local unit is granting a three year construction completion period, the assumption is made that the local unit is only granting a two year construction completion period based on the statute cited. Companies may obtain a third year to complete construction through a resolution granting a one-year extension of time as outlined in STC Rule #53.

**R 209-53 Extension of time to complete projects; request Rule 53.**

- (1) A request for an extension of time for completion of a project, including the installation of all tangible personal property, provided for in section 15(2) of Act No. 198 of the Public Acts of 1974, as amended, being 207.565(2) of Michigan Compiled Laws, shall be filed with the local unit of government.
- (2) Upon receipt of a request for extension, the local unit may do any of the following:
  - (a) Deny the request.
  - (b) Approve the request with no change in the ending date of the certificate as issued.
  - (c) Approve the extension of time for the completion of the project and a revised ending date on the certificate.
- (3) A request for an extension of time for the completion of a project shall be filed with the commission by the certificate holder and shall be accompanied by a resolution of approval adopted by the local governmental unit.

NOTE: Please see section 7a of the act for the construction period of a facility whose cost will exceed \$150,000,000 of state equalized value.



**10) What happens when the cost of a project or the size of a project turns out to be greater than was stated on the original application?**

The PSD staff distinguishes between an **increase in scope** versus an **amendment** of the project. If the original application listed 10 computers at a total cost of \$20,000 but it turns out that the 10 computers cost a total of \$25,000, that is an **increase in scope**. If the original application listed 10 computers at a total cost of \$20,000 but it turns out that 20 computers are purchased at a total cost of \$40,000, that is an **amendment**.

**R 209-53 Revision of final project cost; approval; request for revised certificate**

Rule 54.

(1) If the final cost of a project, either the real or tangible personal property components, will be greater by more than 10% of the estimated amount in item 6 of application form L-4380, a certificate holder shall request that the local governmental unit approve the revised cost.

(2) If a local unit of government approves a revised cost in accordance with subrule (1) of this rule, the holder of the certificate shall request that the commission issue a revised certificate. The request shall be accompanied by a copy of a resolution of approval adopted by the local governmental unit.

If there is an **increase in scope** of the project which exceeds the original approved amount by 10% or less, it is not necessary that the local unit approve the new amount. If there is an **increase in scope** which exceeds the original approved amount by more than 10%, the procedures in STC Rule 54 must be followed.

When additional real and/or personal property components are added, an **amendment** to the project has occurred, regardless of the dollar amount of the additional property and must be approved at the local level and finally by the STC.

**11) Can a replacement facility which is real property include more floor space than the original obsolete facility?**

Section 2(3) of the Act states that a replacement facility can consist of either **replacement** or **restoration**.

Section 3(5) of the Act defines **replacement** as "... the complete or partial demolition of obsolete industrial property and the complete or partial reconstruction or installation of new property of similar utility. **"Replacement"** usually involves the construction of a new building or part of a building. **"Restoration"**, as defined as section 3(6) of the Act involves the restoration of an existing building rather than the construction of a new building.

When **replacement** includes additional floor space, it can still be a replacement facility provided that the building does not exceed the size of the original building by more than 10%.

If the replacement building exceeds the size of the original building by more than 10%, the additional space over 10% must be treated as a **new facility**. The tax on a **new facility** is calculated differently from the tax on a **replacement facility**. See section 14 of the Act regarding the calculation of the industrial facility tax for new and replacement facilities. When **restoration** includes more floor space than the original building, ALL of the additional floor space is treated as a **new facility**.

**12) What is the starting date of an Industrial Facilities Exemption Certificate (IFEC)?**

The starting date of the term of an IFEC is the immediately succeeding December 31 following the date on which the certificate is issued by the State Tax Commission, NOT the date on which the local unit approves the application.

**13) Is it possible for an industrial facilities exemption certificate to remain in effect for more than 12 years?**

The local unit determines the number of years granted for an abatement request. The number of years can be anywhere from 1 to 12 years with the exception discussed below for the period of construction. If the local unit wishes to grant exactly twelve years, it should state this in the resolution as discussed below in Example 1. If the local unit chooses to grant the applicant a period of time greater than twelve years, (that is 1-2 years as partially complete and 12 years as fully complete) the local unit should use the language discussed in Example 2 below to accomplish this.

**Example 1.** If the resolution states "12 years.", the ending date of the certificate will be 12 years added to the tax day on which the exemption becomes effective.

**Example 2.** If the resolution states "12 years after completion", the ending date of the certificate will be 12 years added to up to 2 years of construction time. This would allow up to a 14-year abatement period. This could be further extended if an extension of time is granted as provided by STC Rule #53. See Question #9.

**14) Why is a certificate sometimes issued by the STC for a longer period than was approved by the local unit?**

This office receives many inquiries from local units asking why a certificate was issued by the STC for a period longer than the years granted by the local unit. Frequently, the answer is that the local unit's resolution stated the number of years "after completion". The resolution may be corrected anytime before the file is submitted to the STC for issuance of the certificate. After certificate issuance, no correction is allowed, except in the case of an extension of time to complete as provided by STC Rule #53.

**15) Why are the dollar amounts on some Industrial Facilities Exemption Certificates different from what was applied for?**

If the dollar amounts on a certificate are different from what was applied for, it may be due to one of the following reasons:

- a. The application was filed more than six months after the start of construction of real property or the start of installation of personal property. See also question #8.
- b. Some of the equipment was existing equipment which is not eligible for abatement as **new** property. See also question #19.
- c. Used equipment was purchased from another manufacturing company, not from a broker of used equipment. See also question #19.
- d. The application involves leased property but the property tax liability is not held by the applicant. In other words, the applicant is not responsible for direct payment of taxes to the local unit. See section 2(6) of PA 198 of 1974.

**16) Why are some projects approved by the STC as *new facilities* even though they were submitted as *rehabilitation facilities*?**

If an application was submitted as a **rehabilitation** facility project, but was approved as a **new** facility project, it may be due to one of the following reasons:

- a. The description of the investment undertaken did not speak to restoration and or replacement of a functionally obsolete facility involving major improvements such as roof, windows, plumbing, heating, code compliances, etc.
- b. The plant rehabilitation district (PRD) in which the project is located no longer qualifies as a PRD because at least 50% of the properties in the district are no longer obsolete. Therefore, only "**new**" facilities can be located in the district, not "**rehabilitation**" projects.
- c. The district established was an Industrial Development District in which only **new** projects are allowed, not a Plant Rehabilitation District.
- d. The local unit's resolution approving this request approved a **new** facility project, not a **rehabilitation** project.

**17) Can the ending date of a certificate be changed after it is issued by the STC?**

The statute calls for the certificate to be issued by the local unit for the number of years it designates. The PSD staff determines the ending date by the language in the resolution. Once the certificate is issued, the ending date can only be changed when one of the following applies:

- a. STC Rule 53 which provides for an extension of time to complete the project.
- b. Section 7a of the Act which applies to facilities which exceed \$150,000,000 of SEV.
- c. Section 16a of the Act which applies to certificates effective after 12-31-95 for which the exemption period is shorter than the maximum allowed under section 16.

**18) If an IFT certificate is granted for less than 12 years as provided by section 16a of the Act, can the term of the certificate be extended?**

Sometimes local units grant less than the 12-year maximum term when granting IFT exemptions based on criteria they have adopted. (See section 16a of the Act.) Some local units wish to allow extensions beyond the original term granted and some do not. A local unit may wish to state in its original resolution the number of years being granted and include an extension provision which contains the criteria to be used to determine whether someone qualifies for an extension. This could be done at the start of the IFT exemption process.

**19) What types of equipment qualify as *new industrial property* as defined in section 2(4) of PA 198 of 1974?**

The Tax Commission has interpreted the term "new industrial property" to mean "new to the tax base in Michigan". Following this interpretation, the following would be considered "new industrial property":

1. New equipment purchased from a manufacturer of equipment.
2. Used equipment never before located in Michigan.
3. Used equipment purchased from a broker of used equipment. The thinking here is that, because the prior owner is a broker, the used equipment has lost its status as existing equipment in Michigan because it has become inventory.

The following would not qualify as "new industrial property":

1. Existing equipment already in the possession of the applicant.
2. Existing equipment in the possession of another company located in Michigan.

**20) How is the tax computed for a replacement facility?**

The Act states that the tax computation for a **replacement** facility is determined by multiplying the total mills levied as ad valorem taxes by the TV of the real and/or personal property component of the obsolete industrial property for the tax year immediately preceding the effective date of the certificate.

A parcel of property holding a "Rehabilitation" Industrial Facilities Exemption Certificate will have two assessments. The land will be assessed on the regular (ad valorem) assessment roll that the assessor has turned over to the March Board of Review. The building, land improvements and personal property (pertaining to the same certificate) will have an assessment on the Industrial Facilities Tax Roll. The taxes on properties holding a "Rehabilitation" or "Replacement" certificate shall be levied against Taxable Value.

The Taxable Value of a property on the IFT roll with a "Rehabilitation" or "Replacement" certificate is the amount of the Taxable Value of the real and/or personal property for the tax year immediately preceding the effective date of the IFT exemption certificate. That amount is "frozen" until the exemption certificate expires.

The Taxable Value of a property on the IFT roll covered by a "Rehabilitation" or "Replacement" certificate which began PRIOR TO 1995 will still be the same as the "frozen" SEV for the property until the exemption certificate expires. The Taxable Value of a property covered by a "Rehabilitation" or "Replacement" certificate which BEGAN IN 1995 OR AFTER will be the same as the "frozen" TAXABLE VALUE for the property until the exemption certificate expires.

The property's land assessment on the ad valorem roll may be adjusted by the March Board of Review. The IFT Roll assessment of a property with a "Rehabilitation" certificate or "Replacement" certificate CANNOT have its assessment altered by the Board of Review during the life of the certificate.

**21) How is the tax computed for a new facility?**

The act states that the tax computation for a **new** facility is determined by multiplying the TV of the facility by 1/2 of the total mills levied as *ad valorem* taxes for that year by all of the taxing units where the property is located PLUS the entire State Education Tax millage. **IMPORTANT:** See section 14a of the act which states that the State Treasurer may exclude 1/2 or all of the mills levied under the State Education Tax Act under certain circumstances.

A parcel of property holding a "New" Industrial Facilities Exemption Certificate will have two assessments. The land will be assessed on the regular (ad valorem) assessment roll that the assessor has turned over to the March Board of Review. The building, land improvements and personal property (pertaining to the same certificate) will have an assessment on the Industrial Facilities Tax Roll.

P.A. 1 of 1996 requires the assessor to calculate a Capped Value and a Taxable Value for the building and land improvements of a parcel of real property holding a "New" Industrial Facilities Tax Exemption Certificate.

Taxes on a property holding a "New" Industrial Facilities Tax Exemption (IFT) Certificate shall be levied against the Taxable Value of the property, NOT the State Equalized Value. The Taxable Value of REAL property which has a "New" IFT Exemption Certificate is calculated the same way that Taxable Value is calculated for the non IFT, ad valorem assessment roll.

The property's land assessment on the ad valorem roll may be adjusted by the March Board of Review. The IFT roll assessment of a "New" Industrial Facilities Tax Exemption Certificate may also be adjusted by the March Board of Review.

**22) Can a decision of the State Tax Commission regarding an Industrial Facilities Exemption Certificate be appealed?**

Section 20 of Act 198 of 1974 states the following:

Sec. 20. A party aggrieved by the issuance or refusal to issue, revocation, transfer, or modification of an industrial facilities exemption certificate may appeal from the finding and order of the

commission in the manner and form and within the time provided by Act No. 306 of the Public Acts of 1969, as amended. (Note: Act 306 of 1969 is the Administrative Procedures Act.)

Section 20 of Public Act 198, MCL 207.570, provides that a party aggrieved by the State Tax Commission's refusal to issue an industrial facilities exemption certificate may appeal to the circuit court pursuant the Administrative Procedures Act. Specifically, Sec. 101 through Sec. 106 of the Administrative Procedures Act, MCL 24.301 through MCL 24.306, provides for an appeal to the circuit court within sixty days from the date the State Tax Commission denies the application for an industrial facilities tax exemption certificate.

**23) What are some of the special provisions which apply to speculative buildings?**

Section 3(8) of PA 198 of 1974 defines a **speculative building** as follows:

(8) "Speculative building" means a new building that meets all of the following criteria and the machinery, equipment, furniture, and fixtures located in the new building: (a) The building is owned by, or approved as a speculative building by resolution of, a local governmental unit in which the building is located or the building is owned by a development organization and located in the district of the development organization.

(b) The building is constructed for the purpose of providing a manufacturing facility before the identification of a specific user of that building.

(c) The building does not qualify as a replacement facility.

Subsection 8(b) requires that a **speculative building** be constructed BEFORE a specific user is identified. This law does NOT require that a building be approved by the local governmental unit BEFORE identification of the specific user.

The following are additional requirements specific to **speculative buildings**:

- a. that the speculative building was constructed less than 9 years before the filing of exemption certificate.
- b. that the speculative building has not been occupied since completion of construction.

**Important Note:** It is sometimes advantageous to divide a speculative building into several smaller units rather than having the entire building be one unit.

**EXAMPLE:** If a 50,000 square building is designed to be occupied by 5 separate users, but it is only approved as 1 speculative building, after the first user takes occupancy, the building may be no longer qualify as speculative for future occupants because it may no longer qualify under paragraph "b" above.

**24) Can an Industrial Facility Exemption Certificate be transferred to a new owner?**

Section 21 of PA 198 of 1974 states the following:

Sec. 21. (1) An industrial facilities exemption certificate may be transferred and assigned by the holder of the industrial facilities exemption certificate to a new owner or lessee of the facility but only with the approval of the local governmental unit and the commission after application by the new owner or lessee, and notice and hearing in the same manner as provided in section 5 for the application for a certificate.

Once the application for transfer has been presented to the local unit under section 5, the local unit must review the application pursuant to section 9 and issue a decision after a review of the prerequisites and qualifications contained in section 9. If the local unit denies the application, the applicant may appeal to the STC pursuant to section 6. If the local unit approves the application, the STC must make a decision pursuant to section 7. If the local unit disapproves the application and the taxpayer files an appeal with the STC within 10 days, the STC shall review the facility to determine if it meets the qualifications of section 9. If the STC denies the approval, the applicant may utilize section 20 to appeal the matter pursuant to the Administrative Procedures Act.

The STC has allowed a shortened procedure for transfers when they involve a name change only. This is the case when the ownership remains exactly the same and the activity at the facility remains the same. The only change is the name of the owner. Certain mergers and restructuring may also qualify for this shortened procedure. Please contact the Exemption Programs Section at (517) 373-3272 with questions regarding transfers involving a name change, mergers, and restructurings.

**25) Can an Industrial Facilities Exemption Certificate be revoked?**

Section 15 of Public Act 198 of 1974 provides for revocation of Industrial Facility Exemption Certificates.

Section 15(1) addresses requests for revocations initiated by the holder of the certificate.

Section 15(2) addresses requests for revocation initiated by the local governmental unit. Section 15(2) lists specific reasons why an Industrial Facilities Exemption Certificate may be revoked by the local governmental unit. **In either case, only the STC has the authority to revoke a certificate.**

A party aggrieved by a revocation by the STC may appeal the revocation under the provisions of the Administrative Procedures Act (APA). The APA provides that a request for a rehearing of an STC decision should be filed (in writing) within 60 days from the date that the STC mailed the notice of revocation.

In a related matter, section 13(2) of PA 198 of 1974 provides for automatic termination of an Industrial Facilities Exemption Certificate when the industrial facility tax on real

property has not been paid. Please see section 13 of PA 198 of 1974 for the procedure to be followed.

- 26) If a company announces that it will cease operations in the coming year, will the STC approve the revocation of that company's IFEC for the tax day prior to the actual cessation of operations?**

In a recent case matching these circumstances, the STC ruled that an IFEC could not be revoked as of 12-31-97, even though it was announced in 1997 that operations would cease as of February of 1998.

- 27) Can an application for an IFT exemption include equipment/devices which are also going to be submitted for an Air or Water Pollution Control Exemption?**

It is **recommended** that all new equipment and machinery be included in the IFT application so that the equipment and machinery meet the timeline requirements of P.A. 198 of 1974. The same equipment can then also be submitted for an Air or Water Pollution Control Exemption. The final amount approved for Air or Water Pollution Control Exemption will be determined by the Department of Environmental Quality. If not all of the property qualifies to be exempt as Air or Water Pollution Control equipment, the remainder may then qualify for the IFT exemption.

This document was approved by the State Tax Commission on November 30, 2005.



**ABBREVIATIONS**

|      |   |   |
|------|---|---|
| Act  | = | Act 198 of 1974                             |
| AV   | = | Assessed Value                              |
| IDD  | = | Industrial Development District             |
| IFEC | = | Industrial Facilities Exemption Certificate |
| IFT  | = | Industrial Facilities Tax                   |
| MCL  | = | Michigan Compiled Law                       |
| PA   | = | Public Act                                  |
| PRD  | = | Plant Rehabilitation District               |
| PSD  | = | Property Services Division                  |
| SEV  | = | State Equalized Value                       |
| STC  | = | State Tax Commission                        |
| TV   | = | Taxable Value                               |

|                |
|----------------|
| Applicant Name |
|----------------|

## Fiscal Statement (to be completed by local unit)

|  | <u>YES</u>               | <u>NO</u>                |
|--|--------------------------|--------------------------|
| Is this project:   |                          |                          |
| Real Property?   | <input type="checkbox"/> | <input type="checkbox"/> |
| Personal Property?   | <input type="checkbox"/> | <input type="checkbox"/> |
| Both Real and Personal Property - New Facility?            | <input type="checkbox"/> | <input type="checkbox"/> |
| Both Real and Personal Property - Rehabilitation Facility? | <input type="checkbox"/> | <input type="checkbox"/> |
| Both New and Replacement Facility?                         | <input type="checkbox"/> | <input type="checkbox"/> |

Estimated Project Investment (not assessed value):

|               |                   |       |
|---------------|-------------------|-------|
| Real Property | Personal Property | Total |
|---------------|-------------------|-------|

|  | <u>YES</u>               | <u>NO</u>                | <u>REMARKS</u> |
|--|--------------------------|--------------------------|----------------|
| 1. A. Has the proper local authority reviewed the plan?  | <input type="checkbox"/> | <input type="checkbox"/> |                |
| B. Is the project located in a certified industrial park?  | <input type="checkbox"/> | <input type="checkbox"/> |                |
| C. Is this a renovation or expansion of an existing building?  | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 2. Will this project require improvement of your road service?   | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 3. Will this project require improvement of your sanitary sewer services?  | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 4. Will this project require improvement of your storm sewer services?   | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 5. Will this project require improvement of your water services?   | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 6. Will this project require additional police personnel, police equipment or a need for new police building expansion?                            | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 7. Will this project require the need for additional fire personnel, additional or specialized fire equipment or the need for a new fire building? | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 8. Will this project require other costs?  | <input type="checkbox"/> | <input type="checkbox"/> |                |
| 9. Are costs of infrastructure elements to be provided through Local Development Finance Authority or Tax Increment Finance Authority Bonds?       | <input type="checkbox"/> | <input type="checkbox"/> |                |

If you answered yes to any of questions 2 through 8, the appropriate sections of the Supplement to Fiscal Statement form must be completed and accompany the IFT application. Call (517) 373-3272 to obtain that form.

### LOCAL UNIT CERTIFICATION

This is to certify that the following has been provided as accurately as possible.

|           |  |
|-----------|--|
| Signature | Name and Title of Local Governmental Unit Official |
|-----------|--|

## **HIGH TECH**

### **(PA 198 INDUSTRIAL PROPERTY TAX ABATEMENT) (amended PA 247 of 2000)**

Expands the definition of “Industrial Property” to include High-Technology Activity.

High Technology Activity will be defined as that in the MEGA Act:

- **ADVANCED COMPUTING** which is any technology used in the design and development of any of the following: Computer Hardware and Software, Data Communications, Information Technologies.
- **ADVANCED MATERIALS** which are material with engineered properties created through the development of specialized process and synthesis technology.
- **BIOTECHNOLOGY** which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product. Improve plants or animals, or develop microorganisms for useful purposes. Biotechnology does not include human cloning or stem cell research with embryonic tissue.
- **ELECTRONIC DEVICE TECHNOLOGY** which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices.
- **ENGINEERING OR LABORATORY TESTING** related to the development of a product.
- **TECHNOLOGY** that assists in the assessment and prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology or development or alternative energy sources.
- **MEDICAL DEVICE TECHNOLOGY** which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated.
- **PRODUCT RESEARCH AND DEVELOPMENT**
- **ADVANCED VEHICLES TECHNOLOGY** that is any technology that involves electric vehicles, hybrid vehicles, or alternative fuel vehicles, or components used in the construction of electric vehicles, hybrid vehicles, or alternative fuel vehicles.

## **Excerpt from State Tax Commission Bulletin No. 12 of 1999**

### **Construction-In-Progress**

In the past, the procedure for valuing construction-in-progress provided that all machinery and tools being installed or constructed on tax day should be reported to the assessor at 100% of original costs. The assessor would then deduct a construction-in-progress allowance of 50% to arrive at the true cash value estimate.

On the tax day on which construction was complete, the total costs including freight, installation and sales tax would then be reported in the year of completion even though they were incurred over several years. The assessor would then begin to value the machinery and/or tools using the original cost multipliers. The year of completion would become the year of purchase for reporting purposes on the personal property statement.

THESE PROCEDURES HAVE NOT CHANGED

EXAMPLE: A machine was under construction during calendar year 1998 and \$75,000 of costs were incurred as of 12-31-98. The construction was completed in calendar year 1999 at an additional cost of \$25,000. For this example, \$75,000 should be reported as Construction in Progress on the 1999 Personal Property Statement. \$100,000 should be reported as a 1999 acquisition on the 2000 Personal Property Statement.

## **Excerpt from State Tax Commission Bulletin No. 12 of 1999**

### **Idle Equipment, Obsolete or Surplus Equipment**

In the past, separate consideration was given to idle equipment and to obsolete or surplus equipment.

Idle Equipment was reduced to 50% of the value obtained after applying the normal personal property multipliers to original acquisition costs.

Obsolete or Surplus Equipment was reduced to 25% of the value obtained after applying the normal personal property multipliers to original acquisition costs.

THESE PROCEDURES HAVE CHANGED STARTING WITH 2000 ASSESSMENTS.

Starting with 2000 assessments, the categories of idle equipment and obsolete or surplus equipment have been combined. If a personal property asset qualifies as either idle equipment or obsolete or surplus equipment, the assessor shall apply a multiplier of .40 to the value obtained by applying the personal property multipliers to original acquisition costs. If an asset qualifies as both idle equipment and obsolete or surplus equipment, it still only receives one reduction multiplier of .40. There is no longer any situation where the multiplier is .25 or .50.

This policy replaces that part of the policy contained on page 15-5 of Volume III of the Assessor's Manual which provides for separate multipliers for idle equipment and obsolete and surplus equipment.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JAY B. RISING  
STATE TREASURER

**DATE:** February 28, 2006  
**TO:** Assessors and Equalization Directors  
**FROM:** Kelli Sobel, Executive Secretary State Tax Commission  
**SUBJECT:** Consideration of Idle Equipment Under P.A. 198 of 1974

The State Tax Commission at their December 14, 2005 meeting accepted the Michigan Tax Tribunal decision in *Place Machine Corporation v City of West Branch* as precedent setting related to idle equipment claimed under P.A. 198 of 1974.

This decision issued March 6, 1989, docket number 83622 indicated in part:

The idle equipment allowance and the Act 198 new facilities certificate are distinct from one another in purpose, yet wholly compatible. The Assessor's manual as the statutorily mandated assessment reference source, MCL 211.10e provides for an idle equipment allowance as a valuation step in the personal property assessment process. The manual makes no referenced distinction between non-IFT and IFT personalty, either of which, if idle, will have a suppressed utility, which, it appears, should be recognized in the assessment process.

The decision goes on to indicate:

The Assessor's Manual procedure for measuring the value of personal property for assessment purposes, including the idle equipment allowance, was in effect prior to the 1974 enactment of Act 198. It must be assumed that, at the time Act 198 was enacted, the legislature was aware of the manner in which personal property assessments and SEVs were computed, using the idle adjustment where applicable. The legislature, in Act 198, provided no exception to the method of valuing IFT property but, rather, specified that the SEV, as commonly developed, be the basis for the industrial facilities tax levy. It must be said to have been intended that the tax benefit of Act 198 be the result of an assessment process which encompasses the idle equipment allowance as a considered part of its computation.

**GUIDELINES FOR ESTABLISHING AND TERMINATING  
PLANT REHABILITATION AND INDUSTRIAL DEVELOPMENT DISTRICTS**

P.A. 198 of 1974, as amended

**Local Unit Initiative or Property Owner Written Request:**

Sec. 4(2): The legislative body of a local governmental unit may establish a plant rehabilitation district or an industrial development district on its own initiative or upon a written request filed by the owner or owners of 75% of the state equalized value of the industrial property located within a proposed plant rehabilitation district or industrial development district. This request shall be filed with the clerk of the local governmental unit.

**Timely Filing of Request:**

Sec. 4(3): Except as provided in section 9(2)(h), after December 31, 1983, a request for the establishment of a proposed plant rehabilitation district or industrial development district shall be filed only in connection with a proposed replacement facility or new facility, the construction, acquisition, alteration, or installation of or for which has not commenced at the time of the filing of the request. The legislative body of a local governmental unit shall not establish a plant rehabilitation district or an industrial development district pursuant to subsection (2) if it finds that the request for the district was filed after the commencement of construction, alteration, or installation of, or of an acquisition related to, the proposed replacement facility or new facility. This subsection shall not apply to a speculative building.

**Notice to Establish District:**

Sec. 4(4): Before adopting a resolution establishing a plant rehabilitation district or industrial development district, the legislative body shall give written notice by certified mail to the owners of all real property within the proposed plant rehabilitation district or industrial development district and shall hold a public hearing on the establishment of the plant rehabilitation district or industrial development district at which those owners and other residents or taxpayers of the local governmental unit shall have a right to appear and be heard.

**Finding and Determination of District - 50% of SEV:**

Sec. 4(5): The legislative body of the local governmental unit, in its resolution establishing a plant rehabilitation district, shall set forth a finding and determination that property comprising not less than 50% of the state equalized valuation of the industrial property within the district is obsolete.

**Establishing a District Within a Village:**

Sec. 4(6): A plant rehabilitation district or industrial development district established by a township shall be only within the unincorporated territory of the township and shall not be within a village.

**Terminating of an Established District:**

Sec. 4(8): A local governmental unit, by resolution of its legislative body, may terminate a plant rehabilitation district or an industrial development district, if there are no industrial facilities exemption certificates in effect in the plant rehabilitation district or the industrial development district on the date of the resolution to terminate.

**Notification for Terminating a District:**

Sec. 4(9): Before acting on a proposed resolution terminating a plant rehabilitation district or an industrial development district, the local governmental unit shall give at least 14 days' written notice by certified mail to the owners of all real property within the plant rehabilitation district or industrial development district as determined by the tax records in the office of the assessor or the treasurer of the local tax collecting unit in which the property is located and shall hold a public hearing on the termination of the plant rehabilitation district or industrial development district at which those owners and other residents or taxpayers of the local governmental unit, or others, shall have a right to appear and be heard.

# **GUIDELINES FOR NOTIFICATION OF TRANSFER FOR AN INDUSTRIAL FACILITIES TAX EXEMPTION CERTIFICATE**

P.A. 198 of 1974, as amended

## **Notification Requirements when Transferring an Existing Certificate:**

Sec. 21(1): An industrial facilities exemption certificate may be transferred and assigned by the holder of the industrial facilities exemption certificate to a new owner or lessee of the facility but only with the approval of the local governmental unit and the commission after application by the new owner or lessee, and notice and hearing in the same manner as provided in section 5 for the application for a certificate.

## **Notification Requirements to Approve an Application:**

Sec. 5(1): After the establishment of a district, the owner or lessee of a facility may file an application for an industrial facilities exemption certificate with the clerk of the local governmental unit that established the plant rehabilitation district or industrial development district. The application shall be filed in the manner and form prescribed by the commission. The application shall contain or be accompanied by a general description of the facility and a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement, or construction to be undertaken, a descriptive list of the equipment that will be a part of the facility, a time schedule for undertaking and completing the restoration, replacement, or construction of the facility, and information relating to the requirements in section 9.

(2) Upon receipt of an application for an industrial facilities exemption certificate, the clerk of the local governmental unit shall notify in writing the assessor of the assessing unit in which the facility is located or to be located, and the legislative body of each taxing unit that levies ad valorem property taxes in the local governmental unit in which the facility is located or to be located. Before acting upon the application, the legislative body of the local governmental unit shall afford the applicant, the assessor, and a representative of the affected taxing units an opportunity for a hearing.

(3) The local governmental unit may charge the applicant an application fee to process an application for an industrial facilities exemption certificate. The application fee shall not exceed the actual cost incurred by the local governmental unit in processing the application or 2% of the total property taxes abated under this act for the term that the industrial facilities exemption certificate is in effect, whichever is less. A local governmental unit shall not charge an applicant any other fee under this act.

**GUIDELINES FOR LOCAL UNIT APPROVAL/DENIAL OF  
INDUSTRIAL FACILITIES TAX EXEMPTION APPLICATIONS**

P.A. 198 of 1974, as amended

**Application Requirements:**

Sec. 5(1): After the establishment of a district, the owner or lessee of a facility may file an application for an industrial facilities exemption certificate with the clerk of the local governmental unit that established the plant rehabilitation district or industrial development district. The application shall be filed in the manner and form prescribed by the commission. The application shall contain or be accompanied by a general description of the facility and a general description of the proposed use of the facility, the general nature and extent of the restoration, replacement, or construction to be undertaken, a descriptive list of the equipment that will be a part of the facility, a time schedule for undertaking and completing the restoration, replacement, or construction of the facility, and information relating to the requirements in section 9.

**Notification Requirements to Approve an Application:**

Sec. 5(2): Upon receipt of an application for an industrial facilities exemption certificate, the clerk of the local governmental unit shall notify in writing the assessor of the assessing unit in which the facility is located or to be located, and the legislative body of each taxing unit that levies ad valorem property taxes in the local governmental unit in which the facility is located or to be located. Before acting upon the application, the legislative body of the local governmental unit shall afford the applicant, the assessor, and a representative of the affected taxing units an opportunity for a hearing.

**Local Unit Approval or Denial & Deadline to File With State Tax Commission:**

Sec. 6: The legislative body of the local governmental unit, not more than 60 days after receipt by its clerk of the application, shall by resolution either approve or disapprove the application for an industrial facilities exemption certificate in accordance with section 9 and the other provisions of this act. If disapproved, the reasons shall be set forth in writing in the resolution. If approved, the clerk shall forward the application to the commission within 60 days of approval or before October 31 of that year, whichever is first, in order to receive the industrial facilities exemption certificate effective for the following year. If disapproved, the clerk shall return the application to the applicant. The applicant may appeal the disapproval to the commission within 10 days after the date of the disapproval.



# SAMPLE RESOLUTION TO ESTABLISH DISTRICT

Minutes of a (regular/special) meeting of the (governing body) of (governmental unit), held on (date), at (place) in (location) at (time).

PRESENT:

ABSENT:

The following preamble and resolution were offered by \_\_\_\_\_  
And supported by \_\_\_\_\_:

## Resolution Establishing Industrial Development District\* For (applicant)

\*\*

WHEREAS, pursuant to Act No. 198 of the Public Acts of 1974, as amended, this (governing body) has the authority to establish "Industrial Development Districts"\* within (governing unit); and  
WHEREAS, (applicant) has petitioned this (governing body) to establish an Industrial Development District\* on its property located in (governmental unit) hereinafter described; and  
WHEREAS, construction, acquisitions, alterations, or installation of a proposed facility has not commenced at the time of filing the request to establish this district; and  
WHEREAS, written notice has been given by mail to all owners of real property located within the district, and to the public by newspaper advertisement in the (newspaper) and/or public posting of the hearing on the establishment of the proposed district; and  
WHEREAS, (date) a public hearing was held at which all of the owners of real property within the proposed Industrial Development District\* and all residents and taxpayers of (governmental unit) were afforded an opportunity to be heard thereon; and  
WHEREAS, the (governing body) deems it to be in the public interest of the (governmental unit) to establish the Industrial Development District\* as proposed;

NOW, THEREFORE, BE IT RESOLVED by the (governing body) of (governmental unit) that the following described parcel of land situated in (governmental unit), (county), and State of Michigan, to wit:

### (LEGAL DESCRIPTION)

be and here is established as an Industrial Development District\* pursuant to the provision of Act No. 198 of the Public Acts of 1974 to be known as (name) Industrial Development District\* No. \_\_\_\_\_.

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

\_\_\_\_\_  
Clerk

I hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the (governing body) of the (governmental unit), County of (\_\_\_\_\_), Michigan, as a (regular/special) meeting held on (date).

\*or, "Plant Rehabilitation District"

\*\*plant rehabilitation district resolutions must contain the following:

"IT IS HEREBY DETERMINED that property comprising not less than 50 percent of the state equalized valuation of the property within the proposed Plant Rehabilitation District is obsolete; and"

# SAMPLE RESOLUTION APPROVING AN IFT APPLICATION

Minutes of a (regular/special) meeting of the (governing body) of (governmental unit), held on (date), at (place), in (location), at (time).

PRESENT:

ABSENT:

The following preamble and resolution were offered by \_\_\_\_\_  
And supported by \_\_\_\_\_.

## **Resolution Approving Application of (Applicant) For Industrial Facilities Exemption Certificate For A (New/Rehabilitation) Facility**

WHEREAS, pursuant to P.A. 198 of 1974, M.C.L. 207.551 et seq., after a duly noticed public hearing held on (date), this (body) by resolution established (name) Industrial Development District\*\*; and  
WHEREAS, (applicant) has filed an application for an Industrial Facilities Exemption Certificate with respect to a new facility\* to be acquired and installed within the Industrial Development (name); and  
WHEREAS, before acting on said application, the (governmental unit) held a hearing on (date), at the (place), in (location), at (time), at which hearing the applicant, the Assessor and a representative of the affected taxing units were given written notice and were afforded an opportunity to be heard on said application; and  
WHEREAS, construction of the facility and installation of new machinery and equipment had not begun earlier than six (6) months before (date), the date of acceptance of the application for the Industrial Facilities Exemption Certificate; and  
WHEREAS, completion of the facility is calculated to and will at the time of issuance of the certificate have the reasonable likelihood to retain, create or prevent the loss of employment in (governmental unit); and  
WHEREAS, the aggregate SEV of real and personal property exempt from ad valorem taxes within the (governmental unit), after granting this certificate, (will/will not) exceed 5% of an amount equal to the sum of the SEV of the unit, plus the SEV of personal and real property thus exempted.

NOW, THEREFORE, BE IT RESOLVED BY the (governing body) of (governmental unit) that:

- 1. \*\*\*\*The (governing body) finds and determines that the granting of the Industrial Facilities Exemption Certificate considered together with the aggregate amount of certificates previously granted and currently in force under Act No. 198 of the Public Acts of 1974 and Act No. 255 of the Public Acts of 1978, shall not have the effect of substantially impeding the operation of (governmental unit), or impairing the financial soundness of a taxing unit which levies ad valorem property taxes in (governmental unit).\*\*\*\***
2. The application from (applicant) for an Industrial Facilities Exemption Certificate, with respect to a New Facility\* on the following described parcel of real property situated within the Industrial Development District\*\* , to wit:  
(Legal Description)  
be and the same is hereby approved.
3. The Industrial Facilities Exemption Certificate when issued shall be and remain in force for a period of (1-12) years (optional insert "after completion").

AYES:

NAYS:

RESOLUTION DECLARED ADOPTED.

I hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the (governing body) of (governmental unit), County of (county), Michigan, at a regular meeting held on (date).

\_\_\_\_\_  
Clerk's Signature

\*\*or, "Plant Rehabilitation District"

\*or, "Rehabilitation Facility"

**\*\*\*\*#1: Bolded statement must be included in the local unit resolution approving an IFT application\*\*\*\***

# IFT SAMPLE AGREEMENT

Per P.A. 334 of 1993

## INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE LETTER OF AGREEMENT:

This agreement between (company) and (local unit) is for the purpose of fulfilling the requirements of P.A. 198, as amended, in P.A. 334, Section 22. In consideration of approval of this exemption certificate, the (company) understands that through its investment of (money), and the (local unit), by its investment of the IFT, are mutually investing in and benefiting from this economic development project, and, furthermore, agree to the following:

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This agreement is assignable and transferable by either party with advance written consent. The agreement may only be altered upon mutual consent of both parties.

\_\_\_\_\_  
Company Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Local Unit of Government

\_\_\_\_\_  
Date

**\* Please note: The Affidavit of Fees statement may be incorporated into the Written Agreement. It is not required to be on a separate document.**

**INDUSTRIAL FACILITIES EXEMPTION APPLICATION  
SAMPLE AFFIDAVIT OF FEES**

We do swear and affirm by our signatures below that “no payment of any kind in excess of the fee allowed, by PA Act 198 of 1974, as amended by Public Act 323 of 1996, has been made or promised in exchange for favorable consideration of an exemption certificate application.”

**City/Twp/Village of** \_\_\_\_\_

Signed \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**Applicant:** \_\_\_\_\_

Signed \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Title \_\_\_\_\_  
Date \_\_\_\_\_

**\* Please note: The Affidavit of Fees statement may be incorporated into the Written Agreement. It is not required to be on a separate document.**



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

JAY B. RISING  
STATE TREASURER

**BULLETIN NO. 3**  
**JANUARY 16, 1998**  
**IFT APPLICATION FEES**

**TO: Assessors  
Equalization Directors**

**FROM: State Tax Commission**

**RE: APPLICATION FEES FOR INDUSTRIAL FACILITY EXEMPTION CERTIFICATES**

It has come to the attention of the State Tax Commission (STC) that some units of local government may be requiring as a condition precedent to approving Industrial Facilities Exemption Certificates pursuant to Public Act 198 of 1974, as amended, that applicants make, or promise to make, payments to the unit of local government. Whether they be referred to as "fees," "payments in lieu of taxes," "donations," or by other like terms, such payments are contrary to the legislative intent of Act 198 that exemption certificates have the effect of abating all ad valorem property taxes levied by taxing units within the unit of local government which approves the exemption certificate.

It should be noted that Act 198, as amended by Public Act 323 of 1996, specifically limits the amount of an exemption certificate application fee which may be charged by a unit of local government to the lesser of the actual cost of processing the application or two percent of total property taxed abated during the term that the exemption certificate is in effect. Act 198, as amended specifically prohibits units of local government from charging exemption certificate applicants any other fee.

To ensure compliance with Act 198, as amended, the STC henceforth shall require that there be attached to all exemption certificate applications an affidavit, signed by an official of the unit of local government and by a representative of the applicant, which states that no payment of any kind in excess of the fee allowed by Act 198, as amended, has been made or promised in exchange for favorable consideration of an exemption certificate application. If the STC determines after an exemption certificate has been issued that a payment of any kind in excess of the fee allowed by Act 198, as amended, has been made or promised, the STC shall revoke the exemption certificate and may pursue other appropriate sanctions against the parties. This requirement shall apply to all applications received by the STC after December 31, 1997.

**SAMPLE**

**INDUSTRIAL FACILITY TAX EXEMPTION  
MACHINE & EQUIPMENT LIST**

**ABC COMPANY  
123 FIRST STREET  
CITY, MICHIGAN, ZIP**

**\*BEGINNING DATE OF CONSTRUCTION:           MAY 15, 2006**  
**\*COMPLETION DATE OF CONSTRUCTION:       DECEMBER 1, 2006**

| <u>EQUIPMENT</u>          | <u>INSTALLATION DATES</u> | <u>COSTS</u>          |
|---------------------------|---------------------------|-----------------------|
| Electrical                | May 15, 2006              | \$52,000              |
| Cylinders                 | June 1, 2006              | \$50,000              |
| Steel Braces              | June 1, 2006              | \$5,000               |
| Conveyor                  | July 1, 2006              | \$70,000              |
| Case Erector              | July 15, 2006             | \$15,000              |
| Cooler                    | July 20, 2006             | \$55,000              |
| Cutting Machine           | August 30, 2006           | \$620,000             |
| Internal Washer           | September 15, 2006        | \$120,000             |
| Robots                    | October 1, 2006           | \$377,829             |
| Coolant System            | October 15, 2006          | \$411,000             |
| Machining Center          | October 30, 2006          | \$561,717             |
| Installation of Equipment |                           | \$710,000             |
| Computers                 | November 1, 2006          | \$600,000             |
| Installation of computers | November 1, 2006          | \$75,000              |
|                           | <b>Total Costs</b>        | <b>\$3,722,546.00</b> |

\*State Tax Commission Rule 55 (Notification of date of project completion; filing of final cost) states:

- (1) The applicant for an industrial facilities exemption certificate or a holder of a certificate shall notify the assessing officer and the commission of the date of completion as explained in section 16 of Act No. 198 of the Public Acts of 1974, as amended, being 207.566 of the Michigan Compiled Laws.
- (2) The notification of completion of the project shall be filed within 30 days of completion.
- (3) The final cost of a facility shall be filed with the assessing officer and the commission within 90 days after completion.

**INDUSTRIAL FACILITIES EXEMPTION APPLICATION  
SAMPLE AFFIDAVIT OF PROJECT BEGIN DATES**

I do swear and affirm by my signature below that the real property project beginning of construction date and/or personal property project installation begin date, associated with the application for Industrial Facilities Tax Exemption Certificate under P.A. 198 of 1974, as amended, in the amount of \$ \_\_\_\_\_, filed with the city/township/village of \_\_\_\_\_, for a facility located at \_\_\_\_\_, are as follows:

Real Property Project Begin Date: \_\_\_\_\_

Personal Property Project Installation Date: \_\_\_\_\_

**Applicant Name:** \_\_\_\_\_

Signature \_\_\_\_\_

Printed Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**P.A. 198 of 1974, as amended, Industrial Facilities Tax Exemption  
SAMPLE  
WAIVER OF NOTIFICATION**

The undersigned, the [see Examples below], with an office located at \_\_\_\_\_  
(street address) in the City/Twp/Village of \_\_\_\_\_, Michigan, hereby  
acknowledges that it did not receive, in a timely manner, a mailing of Notice of Hearing for an  
Industrial Facilities Exemption Certificate Application filed by  
\_\_\_\_\_(applicant name) for property tax abatement with respect to real  
and/or personal property for its facility located at \_\_\_\_\_ (street Address),  
in the City/Twp/Village of \_\_\_\_\_, in the County of \_\_\_\_\_,  
Michigan.

Further, the undersigned hereby waives any objection to the failure to receive such Notice of Hearing  
as required in Public Act 198 of 1974, as amended, and consents to the issuance of an Industrial  
Facilities Exemption Certificate to above mentioned applicant with respect to the resolution  
approved by the City/Twp/Village of \_\_\_\_\_ at its meeting held on the \_\_\_\_ day  
of \_\_\_\_\_, 200\_.

IN WITNESS WHEREOF, this Waiver has been made and executed this \_\_\_\_ day of \_\_\_\_\_,  
200\_.

Witness

Signed

\_\_\_\_\_

\_\_\_\_\_

Examples

[County of \_\_\_\_\_]

[Superintendent of \_\_\_\_\_ Public Schools]

[Superintendent of \_\_\_\_\_ ISD]

[City/Twp/Village of \_\_\_\_\_]

[President of \_\_\_\_\_ Community College]



# **SAMPLE PROJECT COMPLETION & FINAL COST LETTER**

**COMPANY LETTERHEAD  
ADDRESS  
CITY, STATE, ZIP  
PHONE NUMBER  
FAX NUMBER**

**(Insert Date)**

State Tax Commission  
PO Box 30471  
Lansing, MI 48909-7971

Re: Industrial Facilities Tax Exemption Certificate **(Insert Certificate Number)** Project  
**Location/Address, Local Governmental Unit, County**

Dear Commission Members;

According to State Tax Commission Rule 55(2), notification of completion of the project shall be filed within 30 days of completion. The above project was completed on **(insert date of completion)**.

According to State Tax Commission Rule 55(3), the final cost of a facility shall be filed with the assessing officer and the commission within 90 days after completion. The final costs for the above project are as follows.

Real:           **\$(Insert Final Total of Real Improvements)**

Personal:       **\$(Insert Final Total of Personal Improvements)**

Total R&P:     **\$(Insert Final Total Amount of Project)**

If you have any questions please feel free to phone me at (xxx) xxx-xxxx.

Sincerely,

**Name of Company Official, Title  
Phone Number  
Email Address**

c: Local Unit Assessor