

# INDUSTRIAL FACILITIES TAX ABATEMENT PROCESS

P.A. 198 OF 1974

as amended

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Instructions for Companies and Local Units

# Industrial Facilities Exemption Application Checklist

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

## GENERAL INFORMATION NEEDED FOR ALL APPLICATIONS:

- Completed Department of Treasury application Form 1012
- SIC/NAICS Code – eligible business \_\_\_\_\_
- Certified copy of the resolution approving the District. IDD \_\_\_\_\_ PRD \_\_\_\_\_
  - Was the request for the District done prior to construction? (Y/N)
- Certified copy of the resolution approving the application (must include the following statements):
  - ...SEV of real and personal property WILL/WILL NOT exceed 5% of .....
  - ...shall not have the effect of substantially impeding.....or impairing the financial soundness...
  - Term of the exemption approved by the local governmental unit
- Letter of Agreement signed by the local unit and the applicant per MCL 207.572.
- Affidavit of Fees signed by the local unit and the applicant.
- Proof of Real Property Construction Begin Date (Building Permit, Footings Inspection, Signed Affidavit from Contractor, etc).
- List of Machinery and Equipment with installation dates.

## REHAB ONLY:

- If machinery and equipment is being rehabilitated, a list of machinery, equipment and furniture and fixtures, including cost and installation dates.
- Signed Obsolescence Statement from assessor.

## SPECULATIVE ONLY:

- Certified copy of the resolution to establish a speculative building.
- Statement of non-occupancy from the owner and the assessor.
- Was the speculative building constructed before a specific user was identified? MCL 207.553(8)(b). (Y/N)

## TRANSFERS ONLY: \_\_\_\_\_

- Certified copy of the resolution approving the transfer.
- Notice was given to the holder, LGU, assessor and other local authorities for hearing.
- Name Change Only? If so, did we get proof of same ownership? (Y/N)

## REVOCATIONS ONLY: Real Property Personal Property Both

Statutory Reason for Revocation: \_\_\_\_\_

- Certified copy of the resolution approving the revocation.

## AMENDMENTS ONLY: Extension: \_\_\_ to \_\_\_ Increase: \_\_\_\_\_ to \_\_\_\_\_ Both/Other

- Certified copy of the resolution approving the amendment.
- Is the amendment to increase personal or real property? (Y/N) If so, obtain the following:
  - Amended application
  - Updated Machinery and Equipment List.

## COMMENTS:

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## INDUSTRIAL PROPERTY TAX ABATEMENT (PA 198 of 1974, as amended)

Industrial property tax abatements provide incentives for eligible businesses to make new investments in Michigan. These abatements encourage Michigan manufacturers to build new plants, expand existing plants, renovate aging plants, or add new machinery and equipment. High technology operations are also eligible for the abatement.

High-technology activity is defined in the Michigan Economic Growth Authority (MEGA) Act as: advanced computing, advanced materials, biotechnology, electronic device technology, engineering or laboratory testing related to product research and development and advanced vehicles technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment. Abatements under PA 198 can significantly reduce property taxes on new investment for eligible firms.

### ESTABLISHING THE DISTRICT

Tax benefits are granted by the legislative body of the city, township or village in which the investment will be located. A public hearing is held and a resolution is adopted to approve the establishment of an Industrial Development District (for a new project) or a Plant Rehabilitation District (for a rehabilitation project). A written request to establish the district must be filed with the clerk of the local unit of government prior to commencement of construction, alteration or installation of equipment.

Once the district is established, the company may apply for an abatement on real and personal property taxes for up to 12 years.

### APPLICATION PROCESS

Industrial property tax abatements must be approved at both the local and state levels. The eligible business files an application (Michigan Department of Treasury Form 1012) with the local clerk after the district has been established and no later than six months after commencement of the project. The local unit adopts a

resolution approving the application and determines the length of years for the abatement. After a local public hearing, the application is filed and reviewed by the State Tax Commission (STC) and the Michigan Economic Development Corporation<sup>SM</sup> (MEDC). The STC then grants final approval applications with required attachments must be received by the STC no later than October 31, in order to receive consideration and action by December 31.

Applications to the STC must include an agreement signed by the local unit and the operator of the facility outlining the conditions of the abatement. This shall include an affidavit that no payment of any kind in excess of the fee allowed under the act has been made or promised in exchange for favorable consideration of exemption application.

Once approved, the firm pays an Industrial Facilities Tax (IFT), instead of property tax, which reflects the abatement savings.

### ELIGIBLE FACILITIES

Industrial plants eligible for tax abatement are those that primarily manufacture or process goods or materials by physical or chemical change. Related facilities of Michigan manufacturers such as offices, engineering, research and development, warehousing or parts distribution are also eligible for exemption.

Research and development laboratories, high-tech facilities and large communication centers can qualify throughout Michigan.

Facilities used for warehousing, distribution or logistics purposes can be eligible if they locate in specific border counties. At least 90 percent of the property, excluding the surrounding green space, must be used for a warehouse, distribution, logistics or communication center and occupy a building or structure that is more than 100,000 square feet. Eligible border counties include

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

The exemption applies to buildings, building improvements, machinery, equipment, furniture and fixtures. Real and personal property are eligible whether owned or leased (provided the lessee is liable for payment of taxes on the property).

The exemption covers only the specific project that is the subject of the application. Any buildings and equipment that existed prior to construction of a new facility are not exempt. If the project is rehabilitation, the value of any pre-existing obsolete property is exempt from ad valorem property taxes, but will be used as the base for IFT. Similarly, any structures or equipment added after completion of the project are fully taxable.

## TAX IMPACT

### Real and Non-industrial

#### Personal Property IFT Treatment

The IFT on a new plant and non-industrial personal property, such as some high-tech personal property, is computed at half the local property tax mileage rate. This amounts to a reduction in property taxes of approximately 50 percent. In addition, the 6-mill SET may be abated 100 percent, 50 percent or not at all. Any SET abatement must be negotiated with the MEDC.

### Rehabilitation of Real or

#### Personal Property IFT Treatment

For an obsolete plant or machinery that is being replaced or restored, the IFT is frozen at the assessed value of the plant prior to improvement. This results in a 100 percent exemption from property tax on the value of the improvements.

### Speculative Building IFT Treatment

In order for a speculative building to qualify for abatement, the local unit must approve a resolution declaring it is a speculative building prior to identifying occupants. Initial construction and finishing costs would be eligible for a reduction in property taxes of approximately 50 percent.

### Commercial Personal Property Tax Relief

Commercial personal property will receive an automatic reduction of 12 mills for local school on their property tax bill.

### Extension Under Personal Property Tax Reform

Personal property abated under PA 198 and eligible in the future for the Personal Property Tax (PPT) exemption will automatically continue to be abated under PA 198 until that property may be claimed as exempt from the PPT in the current tax year. Businesses with IFT until the property becomes eligible for the PPT exemption.

For more information, contact the MEDC customer contact center at 517.373.9808 or visit our website at [www.michiganbusiness.org](http://www.michiganbusiness.org).

# CASCADE CHARTER TOWNSHIP

## ACT 198 PROPERTY TAX ABATEMENT POLICY

Adopted by the Cascade Charter Township Board of Trustees on November 16, 2011

The following policy shall apply in connection with the Township's consideration of requests for the establishment of industrial development and plant rehabilitation districts and request for recommendation for approval of applications for industrial facilities exemption certificates pursuant to Act 198 of the Public Acts of Michigan of 1974, as amended:

1. **Limits on Boundaries of District.** Cascade Charter Township (the "Township") will consider a request to establish an industrial development district or plant rehabilitation district for only the assessment of a real property parcel or parcels and the applicant shall provide the Township with a legal description and survey of the boundaries of such property at the time it requests the establishment of a district.
2. **Site Plan Approval before Considering Establishment of a District.** When applicable, the township shall not consider a request to establish an industrial development district or plant rehabilitation district prior to the granting of site plan approval of the project by the Township Planning Commission, or other Township authorized committee.
3. **Speculative Buildings.** The Township will not consider requests to establish an industrial development district or plan rehabilitation district for speculative buildings.
4. **Requests from Owners Only.** The Township will not consider requests to establish an industrial development district or plant rehabilitation district for personal property included (or to be included) in such a district for which an application for an industrial facilities exemption certificate will be filed unless (a) the request is made by an applicant who owns real property in the Township and (b) either (i) the request is made by the owner of the personal property who shall agree to timely pay when due the applicable industrial facilities tax on the personal property whether or not it is still located in the Township or (ii) the request is made by a non-owner taxpayer of the personal property who shall agree to timely pay when due the applicable industrial facilities tax on the personal property regardless of ownership or whether it is still located in the Township.
5. **Maximum Term of Tax Abatement.** The maximum term of an IFT Certificate to be approved by the Township shall be twelve (12) years for real and personal property.

6. **Filing of Application.** The applicant for an industrial facilities exemption certificate shall file a completed application along with an escrow fee deposit at the time it requests the establishment of an industrial development or plant rehabilitation district. The Township will not consider that applicant's request until it has received a properly complete application (including all applicable attachments and exhibits) and the escrow fee deposit.
  
7. **Evaluation of Application.** The Township will evaluate property tax abatement applications on the basis of one or more of the following goals and objectives:
  - (a) Whether the industrial development will bring about increased employment, additional economic activity, an expanded property tax base or other public benefits.
  
  - (b) Whether the industrial development will enhance or diversify current industrial uses in the Township.
  
  - (c) Whether the industrial development will have significant employment benefits, such as increasing jobs; establishing more skilled or more technical jobs; or providing generally higher-paying jobs.
  
  - (d) Whether the industrial development will provide economic stimulus to other private-sector businesses, such as supportive businesses and facilities.
  
  - (e) Whether the proposed industrial facilities will comply with all applicable Township ordinances and the Township general development plan.
  
  - (f) Whether the proposed industrial facilities will generally be compatible with the Township's currently-provided services, or the Township's plans for future services, with respect to utilities, streets, other infrastructure and public safety.
  
  - (g) Whether the applicant for tax abatement has fully satisfied all of its taxes and other financial obligations to the Township, and has paid the required application fee.

(h) Whether the applicant has complied with the requirements of Act 198 and all Township requirements for application for a tax abatement, including compliance with zoning and building codes and the required procedures for the consideration thereof.

8. **Escrow Fee.** The Escrow fee deposit shall be used to pay the Township the lesser of (i) the actual cost to the Township in processing the application (including, but not limited to, the cost of administrative services, professional services, publication and mailing) or (ii) the total property taxes abated for the term that the industrial facilities exemption certificate is in effect. At the time an applicant files an application an escrow deposit of \$1,000 is required. If an application is subsequently denied or withdrawn the Township shall be entitled to payment of its actual costs up to such denial or withdrawal.
9. **Variiances.** VariANCES from these policies shall be at the sole discretion of the Township Board and shall only be considered on a very limited and individual basis where the nature of the project in the sole judgment of the Township Board is significant or that it presents a unique opportunity for the Township and its residents.
10. **Schedule of Hearings.** The Township Supervisor or Clerk is hereby authorized to schedule the required public hearings for the creation of the industrial development district and consideration of the application for the tax abatement, and to arrange for giving notice of these hearings as required by law. At their discretion, the Township Supervisor or Clerk may instead request that the Township Board approve the time and date of these public hearings.
11. **Timely consideration of Application.** It is the intent of the Township to expedite the application and the local government approval process, which can only be accomplished by submitting all forms and applications properly completed.
12. **Annual Reporting.** Annual reports by the applicant must be submitted to the Township, no later than March 31<sup>st</sup> of each year for the duration of an industrial facilities exemption certificate. The report shall include the number of new jobs created and retained during the preceding calendar year and other matters reasonably required by the Township in the tax abatement agreement with the applicant.
13. **Local Employment.** Applicants are encouraged to review job applications of Township residents, in considering the hiring of employees. An applicant who is granted a tax abatement is encouraged to provide training to upgrade the skills of its employees so as to support their advancement to higher-paying jobs in the industrial facility.

14. **Reimbursement.** If, after receiving an industrial facilities exemption certificate, an applicant takes action which, in the judgment of the Township, constitutes relocation of more than an insubstantial part of its facility to another jurisdiction, or closes more than an insubstantial part of the facility prior to expiration of the tax abatement, the applicant shall be required to reimburse all taxing units a portion of the difference between the taxes which were paid, and those which would have been paid but for the abatement, in accordance with provisions to be determined by the Township in an agreement to be executed between the Township and the applicant prior to approval of the tax abatement.

15. **Revocation.** An industrial facilities exemption certificate may be revoked if an applicant fails to comply with the terms of its agreement with the Township; abandons its facility; or fails to complete construction of a facility within two years, as required by law. An industrial development district may be revoked or eliminated if the holder of an industrial facilities exemption certificate has the certificate revoked by the State Tax Commission or fails to apply for an industrial development tax exemption certificate within two years of the creation of the district.

**16. Property Tax Abatement Request Procedure.**

- A. A company wishing to inquire about the availability of a tax abatement should consult with The Right Place, Inc. ([www.rightplace.org](http://www.rightplace.org)), 161 Ottawa Avenue, NW, Suite 400, Grand Rapids, MI 49503, to learn of any additional incentives that may be available.
- B. The applicant will meet with Township staff for an initial project review. The initial review will include discussions of zoning compliance and district boundary. The parties will also establish projected timelines and other relevant issues pertaining to the project.
- C. The Township will receive the project application with a company letter explaining the request. The application must include a property survey, tax abatement district legal description, and \$1,000 escrow deposit for the reimbursement of expenses incurred by the Township. (Subject to PA 198 regulation.)
- D. The Township will schedule the required public hearings and consider the resolutions to establish the tax abatement district for 50% of the property tax on new investment for the maximum term applicable, after the required notices have been published.



- E. The Township will then consummate the tax abatement agreement with the applicant and forward the local approved package to the state.

Frequently Asked Questions (FAQ)  
Plant Rehabilitation and Industrial Development Act (Industrial Facilities Exemption)  
(PA 198 of 1974, as amended)

The following frequently asked questions are being provided as a service to assessors and taxpayers to better inform them about the administration of Public Act 198 of 1974, MCL 207.551 et seq., as amended.

**Note:** The information contained in these frequently asked questions constitutes an analysis of one or more statutes and not legal advice. Since the analysis is limited to general statutory requirements, individual facts may result in different conclusions being reached. Therefore, individuals may wish to consult legal counsel.

**1. What is an Industrial Facilities Exemption?**

The Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities and to promote the establishment of high tech facilities. An Industrial Development District (IDD) or a Plant Rehabilitation District (PRD) must be created prior to initiating a project so it is essential that you consult with your local assessor before commencing a project. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. Applications are filed, reviewed and approved by the local unit of government, but are also subject to review at the State level by the Property Services Division and the Michigan Economic Development Corporation. The State Tax Commission (STC) is ultimately responsible for final approval and issuance of certificates. Exemptions are not effective until approved by the STC.

**2. What is the difference between an Industrial Development District and a Plant Rehabilitation District?**

The main difference is that an Industrial Development District (IDD) 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 property by the SEV of all the properties in the district and multiplying the result by 100.

**3. Should a Plant Rehabilitation District (PRD) include only the project that is currently being rehabilitated?**

Yes. A PRD should only include the project that is currently being rehabilitated and requires at least 50% of the properties within the district to be obsolete. This allows future applicants the ability to apply for additional replacement facilities.

In the case of a district which was created many years ago and encompassed many separate buildings, several separate Industrial Facilities Exemption Certificates could have been issued over the years. The result is that when the assessor calculates whether

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50% of the property in the district is obsolete, there may be so many new and rehabilitated properties that have returned to the ad valorem roll that the 50% obsolescence requirement cannot be met.

**4. How do I identify the exact parameter of a project that will be placed within a Plant Rehabilitation District?**

The following procedure has been utilized to assist in identifying the exact parameter 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.

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

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

It has been the practice of the State Tax Commission (STC) to request that the SEV/TV of the entire PRD for a rehabilitation project be frozen. Many of the early applications involved projects in large established PRD districts where the SEVs of the entire PRD 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 at times 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 and equipment. In order to correct the frozen assessment, the company would have to request revocation of the certificate.

**5. Can a request to establish an Industrial Development District or a Plant Rehabilitation District be denied?**

Yes. A local governmental unit may approve or deny a request to establish a district.. Once a district is established, a local unit cannot stop an application within the established district from being submitted, acted upon and given the full right to the appeal process.

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**6. Is there a procedure for dissolving an Industrial Development District or a Plant Rehabilitation District?**

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

**7. How do I apply for an Industrial Facilities Exemption Certificate?**

An application for *Industrial Facilities Exemption Certificate* (Form 1012) can be found at the Michigan Department of Treasury website:

[www.michigan.gov/propertytaxexemptions](http://www.michigan.gov/propertytaxexemptions).

File two copies of the completed application and all attachments with the clerk of the local governmental unit where the facility is located. You must meet the following qualifications of the Act:

- a. The facility must be located within an established Industrial Development or Plant Rehabilitation District;
- b. The applicant is a qualifying business as outlined in MCL 207.552; and
- c. The application for the exemption can be prefiled but must be filed within six months of the commencement of the improvements.

**8. Are there provisions in the application process that are time sensitive?**

Yes. There are several provisions which cause the application process to be time-sensitive.

MCL 207.553(8)(b) provides that a speculative building must be one that is constructed *before* a specific user is identified.

MCL 207.554(3) requires that the request for the establishment of a proposed Plant Rehabilitation District (PRD) or Industrial Development District (IDD) must be made *prior* to the start of construction of the property for which exemption is being sought.

MCL 207.554(4) requires that *before* adopting a resolution establishing a PRD or IDD the legislative body shall give written notice by certified mail to the owners

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(PA 198 of 1974, as amended)

of all real property within the proposed PRD or IDD, hold a public hearing on the proposed establishment, and grant a right to appear and be heard regarding same.

MCL 207.554(9) provides that *before* acting on a proposed resolution terminating a PRD or IDD, the local unit shall give at least 14 days written notice by certified mail to owners of all real property within the PRD or IDD and hold a hearing at which those owners have a right to appear and be heard.

MCL 207.555(2) requires that *before* acting upon an 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.

MCL 207.556 requires that no more than 60 days after the clerk's receipt of the application, the legislative body of the local governmental unit shall, by resolution, either approve or disapprove the application. Further, the clerk shall forward the approved application to the commission within 60 days of that approval or before October 31 of that year, whichever is first. In the case of a disapproval of the application, the applicant has 10 days after the date of the disapproval to appeal to the commission.

MCL 207.559(2) requires that the start of construction of the facility cannot occur more than 6 months before the filing of the application for the Industrial Facilities Exemption Certificate with the clerk of the local unit of government.

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.

**9. Can an application for an Industrial Facilities exemption Certificate be denied?**

Yes. An application can be denied by the local governmental unit or by the State Tax Commission if all the requirements are not met by the applicant.

**10. Can a decision of the State Tax Commission regarding an industrial facilities Exemption Certificate be appealed?**

Yes. MCL 207.570 states as follows:

“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.”

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PA 306 of 1969, also known as the Administrative Procedures Act (APA) provides for an appeal to the circuit court within 60 days of the date the STC denies the application for an IFEC. (See MCL 24.301 through MCL 24.306.)

**11. Is it possible for an Industrial Facilities Exemption Certificate to remain in effect for more than 12 years?**

Yes. The local unit determines the number of years granted for an exemption 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 decides to grant exactly 12 years, it should state this in the resolution, as discussed below in Example #1. If the local unit chooses to grant the application for a period of time greater than 12 years, (*i.e.*, 1-2 years as partially complete and 12 years as fully completed), 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 exemption period. This could be further extended if an extension of time is granted as provided by STC Rule No. 53.

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

The starting date of the term of an IFEC is December 31<sup>st</sup> of the year the certificate is issued by the State Tax Commission (STC). [Example: a certificate issued on November 12, 2018 would have a start date of December 31, 2018.]

**13. Why is a certificate sometimes issued by the State Tax Commission (STC) for a longer period of time than what was approved by the local unit?**

There may be a variance due to the local unit’s resolution stating the number of years as “after completion.” The resolution may be corrected any time prior to being submitted to the STC for issuance of the certificate. After issuance, no corrections are allowed except in the case of an extension of time to complete, as provided by STC Rule No. 53.

Frequently Asked Questions (FAQ)  
Plant Rehabilitation and Industrial Development Act (Industrial Facilities Exemption)  
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**14. Can the ending date of an Industrial Facilities Exemption Certificate be changed after it is issued by the State Tax Commission (STC)?**

Yes. The statute calls for the certificate to be issued by the local unit for the number of years it designates. The ending date is determined 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 No. 53, which provides for an extension of time to complete the project.
- b. MCL 207.557a which applies to facilities that exceed \$150,000,000 of State Equalized Value (SEV).
- c. MCL 207.566a which applies to certificates issued after December 31, 1995, for which the exemption period is shorter than the maximum allowed under MCL 207.566.

**15. Can the duration of an Industrial Facilities Exemption Certificate (IFEC) be extended?**

An IFEC can be approved for a maximum of 12 years. Local units may grant less than the 12-year maximum term when granting exemptions based on criteria they have adopted. (See MCL 207.566a.) Some local units allow extensions beyond the original term granted and some do not. A local unit may 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 exemption process.

**16. How is the tax computed for a new facility?**

Real Property

MCL 207.564(3) states that the tax computation for new facility real property is determined by multiplying the Taxable Value (TV) of the facility by  $\frac{1}{2}$  of the total mills other than the State Education Tax (SET) mills levied as ad valorem taxes for that year by all of the taxing units where the property is located plus the total SET mills, unless receiving a 100% or 50% abatement from the State Treasurer under MCL 207.564a.

Personal Property Sited on Real Property Classified as Industrial Real Property

MCL 207.564(4) states that the tax computation for new facility personal property sited on real property classified as industrial real property is determined by multiplying the TV of the facility by  $\frac{1}{2}$  of the total mills other than the local school district (LSD) Operating mills and SET mills levied as ad valorem tax for that year by all of the taxing units where the property is located, plus  $\frac{1}{2}$  of the Hold-Harmless mills.

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Personal Property Sited on Real Property Classified as Commercial Real Property

MCL 207.564(4) states that the tax computation for new facility personal property sited on real property classified as commercial real property is determined by multiplying the TV of the facility by  $\frac{1}{2}$  of the total mills (including SET mills) other than the LSD Operating mills levied as ad valorem tax for that year by all of the taxing units where the property is located, plus  $\frac{1}{2}$  of the sum of LSD Operating mills minus 12 mills, plus  $\frac{1}{2}$  of the Hold-Harmless mills.

Personal Property Sited on Real Property Not Classified as Industrial or Commercial Real Property

MCL 207.564(3) states that the tax computation for new facility personal property sited on real property not classified as industrial or commercial real property is determined by multiplying the TV of the facility by  $\frac{1}{2}$  of the total mills other than the SET mills levied as ad valorem tax for that year by all of the taxing units where the property is located plus the total SET mills unless receiving a 100% or 50% abatement from the State Treasurer under MCL 207.564a.

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

MCL 207.553(11) 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 IFEC.

Taxes on a property holding a new certificate shall be levied against the TV of the property, not the SEV. The TV of real property which has a new certificate is calculated the same way that TV 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 tax roll assessment of a new IFEC may also be adjusted by the March Board of Review.

**17. How is the tax computed for a “replacement facility”?**

MCL 207.564(1) states that the tax computation for a replacement facility is determined by multiplying the total mills levied as ad valorem taxes by the Taxable Value (TV) of the real and/or personal 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)



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will have an assessment on the Industrial Facility Tax (IFT) tax roll. The taxes on properties holding a “rehabilitation” or “replacement” certificate shall be levied against TV.

The TV of a property on the IFT tax roll with a “rehabilitation” or “replacement” certificate is the amount of the TV of the real and/or personal property for the tax year immediately preceding the effective date of the certificate. That amount is frozen until the exemption certificate expires.

The TV of a property on the IFT tax roll with 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 TV of a property covered by a rehabilitation or replacement certificate which began in 1995 or AFTER will be the same as the frozen TV 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 tax roll assessment of a property with a rehabilitation or replacement certificate cannot have its assessment altered by the Board of Review during the term of the certificate.

**18. Can a 1% Administration Fee be added to an Industrial Facility Tax (IFT) tax roll?**

Yes. Per MCL 207.561(11)(1), the 1% Administration Fee can be added to an IFT tax roll.

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

If the dollar amounts on a certificate are different from what was applied for, it may have been changed by Property Services Division (PSD) staff due to one of the following reasons:

- a. The application was filed more than 6 months after the start of construction of real property or the start of installation of personal property. See also Question #7.
- b. Some of the equipment was existing equipment which is ineligible for exemption as new property. See also Question #20.
- c. Used equipment was purchased from another manufacturing company, not from a broker of used equipment. See also Question #20.
- 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 MCL 207.552(6).

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- e. The real property investment cost listed within box 6a of the application includes the purchase price of the land. See also Question #33.

**20. What happens when an incomplete application for an Industrial Facilities Exemption Certificate (IFEC) is received?**

The applicant will be contacted by letter regarding the incomplete application and the applicant must submit a completed application with the required documents within 30 days. If the required documents are not submitted within 30 days, the application may be dismissed as inactive.

**21. What types of equipment qualify as new industrial property as defined in MCL 207.552(4)?**

The State Tax Commission (STC) 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:

- a. New equipment purchased from an equipment manufacturer.
- b. Used equipment never before located in Michigan.
- c. Used equipment purchased from a broker of used equipment with the rationale that because the prior owner is a broker, the equipment has lost its status as existing equipment in Michigan as it has become inventory.

The following would not qualify as new industrial property:

- a. Existing equipment already in the possession of the applicant.
- b. Existing equipment in the possession of another Michigan company.

**22. Can an application for an Industrial Facilities Exemption Certificate (IFEC) include equipment/devices which are also going to be submitted for an Air or Water Pollution Control Exemption?**

Yes. It is recommended that all new equipment and machinery be included in the IFEC application so that the equipment and machinery meet the timeline requirements of PA 198 of 1974, as amended. The same equipment can then also be submitted for an Air or Water Pollution Control Exemption. If all of the property does not qualify as exempt Air or Water Pollution Control equipment, the remainder may then qualify for the IFEC exemption. Refer to the Air or Water Pollution Control Exemption FAQs for more information.

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**23. Can a real property replacement facility include more floor space than the original obsolete facility?**

Yes. MCL 207.552(3) states that a replacement facility can consist of either replacement or restoration. MCL 207.553(5) 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 a part of a building. “Restoration” is defined in MCL 207.553(6) as:

“... changes to obsolete industrial property other than replacement as may be required to restore the property ... to an economically efficient functional condition.”

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 by more than 10%, the additional space must be treated as a new facility. The tax on a new facility is calculated differently from the tax on a replacement facility.<sup>1</sup> When restoration includes more floor space than the original building, ALL of the additional floor space is treated as a new facility.

**24. Why are some projects approved by the State Tax Commission (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, 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 within the district.
- c. The district established was an Industrial Development District (IDD) in which only new projects are allowed, not a PRD.

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<sup>1</sup> See MCL 207.564 regarding the calculation of the industrial facility tax for new and replacement facilities.

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- d. The local unit's resolution approving the request approved a new facility project, not a rehabilitation project.

**25. Can leased equipment qualify for an Industrial Facilities Exemption Certificate?**

Yes, under the following conditions:

- 1. The length of the lease must be as long as or longer than the length of the certificate to be granted.
- 2. The lessee must have the tax liability for the length of the certificate to be granted. (Any indication that the taxes are being paid "as additional rent" is not acceptable.)

**26. Can an Industrial Facilities Exemption Certificate (IFEC) be transferred to a new owner?**

Yes. MCL 207.571 states as follows:

"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 under section 5 for the application for a certificate."

Once the application for transfer has been presented to the local unit, they must review the application and issue a decision after a review of the prerequisites and qualifications contained in MCL 207.559. If the local unit denies the application, the applicant may appeal to the State Tax Commission (STC), pursuant to MCL 207.556. If the local unit approves the application, the STC must make a decision pursuant to MCL 207.557. 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 in MCL 207.559. If the STC denies the approval, the applicant may appeal pursuant to the Administrative Procedures Act (APA).

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 in the name of the company. Certain mergers and restructuring may also qualify for this shortened procedure. Please contact the Tax Exemption Section at (517) 335-7491 with questions regarding transfers involving a name change, mergers, and restructurings.

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- 27. Company “A” has an Industrial Facilities Exemption Certificate that was issued a year ago. They have purchased new equipment that qualified for exemption. Is it more advantageous to add this new equipment to the existing Exemption Certificate or apply for a new exemption certificate for this equipment?**

As long as the new equipment is purchased within the two-year post construction period from the effective date of the original issuance of the certificate, the equipment may be added by amending the existing certificate. If the new equipment purchase is closer to the end of the two-year post construction period from the effective date of the original issuance of the certificate, it may be more advantageous to apply for a new certificate for this equipment thereby attaining a greater number of years of exemption than could be gained by an amendment.

- 28. Is there a limit on the amount of time that an applicant can take to complete a project?**

Yes. MCL 207.565 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 No. 53 allows for a one-year extension of time to complete a project. If a resolution is received by the State Tax Commission (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. Companies may obtain a third year to complete construction through a resolution by the local governmental unit granting a one-year extension of time as outlined in STC Rule No. 53. Upon receipt of a request for an extension, the local unit may: (a) deny the request; (b) approve the request with no change in the ending date of the certificate issued; or (c) approve the extension of time for the completion of the project and a revised ending date on the certificate. Depending upon the outcome at the local level, the 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. Please see MCL 207.557a for the construction period of a facility whose cost will exceed \$150,000,000 of state equalized value.

- 29. What happens when the cost or the size of the project turns out to be greater than what was stated on the original application?**

The Property Services Division (PSD) staff distinguishes between an increase in costs versus an amendment to the project. For example, 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 costs. However, if the original application listed 10 computers at a total cost of \$20,000 but it turn out that 20 computers were purchased at a total cost of \$40,000, that is determined to be an amendment.

If there is an increase in costs of the project that exceeds the original approved amount by 10% or less, it is not necessary for the local unit to approve the new amount. If the

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increase is greater than 10%, the procedures in STC Rule No. 54 must be followed. STC Rule No. 54 states that the certificate holder shall request that the local governmental unit approve the revised cost if greater than 10% over the original approved amount. If the local unit approves the revised cost, the holder of the certificate shall request that the commission issue a revised certificate. The request shall be accompanied by a copy of the resolution of approval adopted by the local governmental unit.

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

**30. Can an Industrial Facilities Exemption Certificate (IFEC) be revoked? If yes, who holds the authority to do so?**

Yes. MCL 207.565 provides for the revocation of an IFEC. MCL 207.565(1) addresses requests for revocations initiated by the holder of the certificate. MCL 207.565(2) addresses requests for revocation initiated by the local governmental unit and includes specific reasons why a certificate may be revoked. In either case, only the State Tax Commission (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 the STC mailed the notice of revocation.

In a related matter, MCL 207.563(2) provides for automatic termination of an IFEC when the Industrial Facility Tax on real property has not been paid. Please see MCL 207.563 for the procedure to be followed.

**31. When does the revocation of an Industrial Facilities Exemption Certificate (IFEC) take effect?**

The revocation of an IFEC is effective the December 31<sup>st</sup> of the year in which the State Tax Commission (STC) revoked the certificate.

**32. If a company announces that it will cease operations in the coming year, will the State Tax Commission approve the revocation of that company's Industrial Facilities Exemption Certificate (IFEC) for the tax day prior to the actual cessation of operations?**

No. It has been the State Tax Commission's past practice, that an IFEC could not be revoked as of December 31, 2018 even though it was announced during 2018 that operations would cease as of February of 2019.

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**33. Is there a limit to the application fee that may be charged by a local unit of government for the cost of processing the application for an Industrial Facilities Exemption Certificate (IFEC)?**

Yes. MCL 207.555(3) specifically limits the amount of an exemption certificate application fee that may be charged by a unit of local government to the lesser of the actual cost of processing the application or 2% of total property taxes abated during the term that the exemption certificate is in effect and specifically prohibits local units of government from charging applicants any other fee.

Local units may not require, as a condition precedent to approving an IFEC application, that applicants make or promise to make payments to the local unit. Whether referred to as fees, payments in lieu of taxes, donations, or another name, such payments are contrary to the legislative intent of PA 198 of 1974. [See STC Bulletin 3 of 1998, at [www.michigan.gov/propertytaxexemptions](http://www.michigan.gov/propertytaxexemptions)].

**34. What is the definition of “Industrial Property”?**

MCL 207.552(6) defines “Industrial Property” as:

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:

- a. the engaging in a high-technology activity;
- b. operation of a strategic response center;
- c. operation of a motorsports entertainment complex;
- d. operation of a logistical optimization center;
- e. operation of a qualified commercial activity;
- f. operation of a major distribution or logistics facility;
- g. the manufacture of goods or materials;
- h. creation of synthesis of biodiesel fuel;

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- i. the processing of goods and materials by physical or chemical change<sup>2</sup>;
- j. property acquired, constructed, altered, or installed due to the passage of Proposal A in 1976;
- k. the operation of a hydroelectric dam by a private company other than a public utility;
- l. agricultural processing facilities;
- m. 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;
- n. research and development laboratories of companies other than those companies that manufacture the products developed from their research activities;
- o. research development laboratories of a manufacturing company that are related to the products of the company;
- p. an electric generating plant that is not owned by a local unit of government, including, but not limited to, an electric generating plant fueled by biomass, if the application is approved by the legislative body of a local governmental unit between June 30, 1999 and December 31, 2007;
- q. convention and trade centers in which construction begins not later than December 31, 2010 and is over 250,000 square feet in size or, if located in a county with a population of more than 750,000 and less than 1,100,000 is over 100,000 square feet in size or, if located in a county with a population of more than 26,000 and less than 28,000, is over 30,000 square feet in size;
- r. a federal reserve bank operating under 12 USC 341, located in a city with a population of 750,000 or more.

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<sup>2</sup> “Manufacture of goods or materials” or “processing of goods or materials” means any type of operation that would be conducted by any 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.



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

Industrial property does not include any of the following:

- a. land;
- b. 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;  
or
- c. inventory.

**35. What is the definition of “high-technology activity”?**

Section 3 of the Michigan economic growth authority act, 1995 PA 24, MCL 207.803 defines “high-technology” as:

- i. Advanced computing, which is any technology used in the design and development of any of the following:
  1. Computer hardware and software.
  2. Data communications.
  3. Information technologies.
- ii. Advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology.
- iii. 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 as defined in section 16274 of the public health code, 1978 PA 368, MCL 333.16274, or stem cell research with embryonic tissue.
- iv. 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.

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- v. Engineering or laboratory testing related to the development of a product.
- vi. Technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources.
- vii. 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.
- viii. Product research and development.
- ix. 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. For purposes of this act:
  - 1. "Electric vehicle" means a road vehicle that draws propulsion energy only from an on-board source of electrical energy.
  - 2. "Hybrid vehicle" means a road vehicle that can draw propulsion energy from both a consumable fuel and a rechargeable energy storage system.

**36. What is the definition of “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 (PRD) 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):

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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 stories, 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% of the true cash value of the industrial property, the improvements are considered delayed maintenance and not considered restoration. (MCL 207.553(6).)

**37. What are some of the special provisions that apply to speculative buildings?**

MCL 207.553(8) defines a “speculative building” as:

“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 the exemption certificate.

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- b. that the speculative building has not been occupied since the completion of construction.

**Important note:** It is sometimes advantageous to divide a speculative building into several smaller units rather than having the entire building as one unit. (e.g., if a 50,000 square foot building is designed to be occupied by 5 separate users, but it is only approved as a single speculative building, after the first user takes occupancy, the building may no longer qualify as speculative for future occupants because it may no longer qualify under paragraph b, above.)

**38. Where can I find information regarding the Industrial Facilities Exemption Certificate (IFEC) application process?**

Application instructions, sample documents, and a checklist regarding the IFEC application process can be found on the Department of Treasury website at: [www.michigan.gov/propertytaxexemptions](http://www.michigan.gov/propertytaxexemptions).

**39. Where can I obtain copies of previously issued Industrial Facilities Exemption Certificates?**

Copies of certificates acted upon by the State Tax Commission after January 1, 2013, are available on the Department of Treasury website at: [www.michigan.gov/propertytaxexemptions](http://www.michigan.gov/propertytaxexemptions) Choose the exemption program under which the certificate was issued. Within the “Certificate Activity” link, the certificates are listed according to the date they were acted upon.

**40. Where can I check on the status of an Industrial Facilities Exemption application?**

The status of an application is available through a search tool on the Department of Treasury website at: [www.michigan.gov/propertytaxexemptions](http://www.michigan.gov/propertytaxexemptions) . Choose the Industrial Facilities Exemption (IFE) program. Then select the Industrial Facilities Application/Certificate Search link.

# 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 plant rehabilitation district or industrial development district shall be made on a form prescribed by and furnished by the commission. A completed application and required documents shall be filed with the commission. A local legislative body shall not approve an application or portion of an application unless it meets the requirements of 1974 PA 198, MCL 207.551 to 207.572.

### **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 and the commission when a project for which the certificate was issued is abandoned and request revocation.

### **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, not to exceed 1 year, including the installation of all tangible personal property, provided for in section 15(2) 1974 PA 198, MCL 207.565(2), shall be filed with the local unit of government within the final year of the 2-year construction period.

(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 that was issued.
- (c) Approve the extension of time for the completion of the project and a revised ending date on the end of the certificate, not to exceed 1 year.

(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 exceed 10% of the estimated amount indicated on the original application form, a certificate holder shall request in writing that the local government unit approve the additional cost. Upon receipt of a request, the clerk of the local governmental unit shall notify in writing the assessor and the legislative body of each taxing unit and shall afford the applicant, the assessor and a representative of the affected taxing units an opportunity for a hearing.

(2) If the scope of the project increases by either additional real and/or tangible personal property components, the certificate holder shall file an amended application and revised list of

improvements with the clerk of the local unit. Upon receipt of an amended application, the clerk of the local governmental unit shall notify in writing the assessor and the legislative body of each taxing unit and shall afford the applicant, the assessor, and a representative of the affected taxing units an opportunity for a hearing.

(3) If a local unit of government approves a revised cost or revised scope under subrule (1) or (2) of this rule, the clerk of the local unit shall forward a copy of the amended application, revised list of improvements, and resolution of approval to the commission.

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

Rule 55. (1) The holder of an industrial facilities exemption certificate shall notify the assessing officer of the local unit and the commission of the date of completion and final investment cost of a project.

(2) The notification of completion shall be in writing and shall be within 30 days of completion.

(3) The final cost of the project shall be in writing and 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. The commission shall not grant a certificate for real property covered under an industrial facilities tax exemption certificate that is leased unless the lessee is responsible for the property tax liability of the property for the length of the certificate.

**R 209.57 Consideration of application or request of revocation.**

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

**R 209.58 Simultaneous exemptions.**

Rule 58. The commission shall not issue an industrial facilities exemption certificate for a property that is already included on another specific tax roll. Property covered under an industrial facilities exemption certificate may not be included on any other specific tax roll while receiving the industrial facilities exemption.

R 209.61 Rescinded

R 209.62 Rescinded.

Effective March, 2013

**P.A. 198 INDUSTRIAL FACILITIES TAX (IFT) EXEMPTION / TRANSFERS**

1. **Transfer of the certificate (real and/or personal property) from one company to another company within the local unit that originally granted certificate.**

The following information is requested for a transfer:

- a. Signed application for transfer;
  - b. Workers' Compensation Insurance policy/billing displaying workers' codes. (If company does not have any previous industrial certificates;
  - c. A current executed copy of the lease (*if leased*) verifying property tax liability for the real and/or personal property;
  - d. Notice to the taxing authorities regarding transfer of the certificate;
  - e. Certified resolution approving/denying the request for transfer;
  - f. A resolution revoking the component(s) that were not granted transfer, if no longer in use or upon denial of the certificate transfer; and
  - g. Agreement.
2. **If a company is moving to another location in the same local unit, the following information is requested:**
    - a. Signed application for transfer;
    - b. Notice to establish the district;
    - c. Resolution establishing the district (including legal description);
    - d. Notice to taxing authorities regarding transfer of the certificate;
    - e. Certified resolution approving/denying the request for transfer;
    - f. A resolution revoking the component(s) that were not granted transfer, if no longer in use or upon denial of the certificate transfer; and
    - g. Agreement.

3. **Upon transfer of personal property from one local unit to another, the following information is requested:**

- a. Signed application for transfer;
- b. Workers' Compensation Insurance policy/billing displaying workers' codes. (If company does not have any previous industrial certificates);
- c. A current executed copy of the lease (*if leased*) verifying property tax liability for the personal property;
- d. Notice to establish the district;
- e. Resolution establishing the district (including legal description);
- f. Notice to taxing authorities regarding transfer of the certificate;
- g. Certified resolution approving/denying the request for transfer;
- h. A letter of request from the company or a local unit resolution revoking the real and/or personal property component(s) that were not transferred, if no longer in use or upon denial of the certificate transfer; and
- i. Agreement.

4. **Mergers and Name Changes:**

If a merger or name change takes place where the function of the facility will remain the same (production of product, employees, etc.), we will require only the papers filed to initiate the change (*i.e.*, copy of the Certificate of Amendment to the Articles of Incorporation, copy of the Certificate of Merger).



**GUIDELINES FOR NOTIFICATION OF TRANSFER FOR AN  
INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE  
PA 198 of 1974, as amended**

**Notification Requirements When Transferring an Existing Certificate:**

Section 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:**

Section 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 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 unit 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.

## REVOCAION OF INDUSTRIAL FACILITIES EXEMPTION CERTIFICATES

*Section 15 of Public Act 198 of 1974, as amended, provides for revocation of Industrial Facility Exemption Certificates.*

The IFE certificate is the official authorization for the assessor to add the subject property to the specific IFE tax roll. The expiration date noted on the certificate, or the official filing per statute of a certificate of non-payment, or an official Order of Revocation issued by the State Tax Commission (STC) are the only means to remove a certificate from the IFE specific tax roll.

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

Companies who are no longer utilizing the real and/or personal property for which the exemption was granted can request revocation of the IFE certificate covering the specific property (Section 15(1) of P.A. 198 of 1974, as amended).

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

If the company does not request revocation, the local governmental unit may find that the facility's compliance with utilizing the real and/or personal property for which the exemption was granted is not being met and should adopt a resolution revoking the IFE certificate.

The resolution revoking the certificate would then be sent to the attention of the STC for issuance of an official Order of Revocation. All revocations are effective December 30<sup>th</sup> of the year in which they are processed.

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, as amended, provides for an automatic termination of an IFE Exemption Certificate when the industrial facility tax on real property has not been paid. Please see Section 13 for the procedure to be followed.