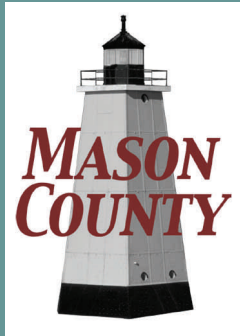


# Property Tax Abatements

## Industrial Property Tax Abatement Program P.A. 198



## GROWTH ALLIANCE

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**WHAT IS AN INDUSTRIAL PROPERTY TAX ABATEMENT?** P.A. 198 of 1974 as amended, is the primary tool local governmental units use as an incentive for companies to spur renovation and expansion of aging manufacturing plants or new plant construction in Michigan

**WHAT IS THE BENEFIT?** Tax relief could amount to a 50% reduction in new property taxes for up to 12 years for industrial property, if a company meets all eligibility requirements. The rates and conditions vary depending on the terms of the local governmental unit (LGU).

**WHO IS ELIGIBLE?** Michigan industrial plants which primarily manufacture or process goods or materials by physical or chemical change may qualify. Related facilities of Michigan manufacturers such as offices, engineering, research and development, warehousing or parts distribution may also be eligible for exemption. The list of eligible companies has been expanded to include privately held electric generation plants (until 12/31/07) and high technology activity such as: advanced computing, advanced material, biotechnology, electronic device technology, engineering and laboratory testing, medical device technology, product research and development, and advanced vehicles technology.

**WHAT CAN BE EXEMPTED?** The exemption applies to buildings, building improvements, machinery, equipment, furniture and fixtures. Real and personal property is eligible whether owned or leased (provided the lessee is liable for payment of taxes on subject property). The exemption covers only the specific project, which is the subject of the application. Any buildings and equipment that existed prior to construction of a new facility are not eligible. If the project is a rehabilitation facility, the obsolete taxable value from the prior December 31st is frozen for the length of the certificate and the investment on improvements is 100% exempt from property taxes. Land is specifically **excluded** from the benefits of the act and is fully taxable.

**TWO-STEP APPLICATION PROCESS:** **1) Establishment of a Plant Rehabilitation or Industrial Development District:** Before commencement of a project, a request to establish a district must be filed with the clerk of the LGU by owners of 75% of the SEV in the district. **2) Application for Industrial Facilities Exemption Certificate or Tax Abatement:** Approval must be granted at both the local and state levels. Applications must be filed with the clerk of the LGU after the district has been established and no more than six months after commencement of the project. Applications are filed, reviewed and approved locally (after a public hearing), then reviewed by the State Tax Commission (STC) and the Michigan Economic Development Corporation. The STC grants final approval and issues the exemption certificates. Locally approved applications (with all attachments) must be received by the STC by October 31st in order to receive consideration and action by December 31st.

**Contact us for assistance with the tax abatement process before you make your purchase or capital investment at 845-6646.**