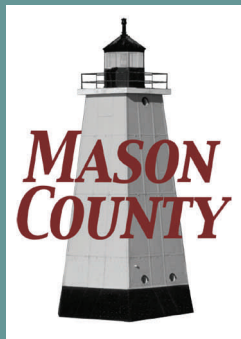


# Industrial Revenue Bond

## Industrial Revenue Bond (IDRB) Program

### Tax Exempt Bonds



## MASON COUNTY GROWTH ALLIANCE

5300 West U.S. 10  
Ludington, MI 49431  
(231) 845-6646  
(231) 845-6857 Fax  
www.masoncountygrowth.com  
dmiller@masoncountygrowth.com

**WHAT ARE TAX-EXEMPT INDUSTRIAL REVENUE BONDS (IDRB's)?** IDRB's are bonds issued by the Mason County Economic Development Corporation (EDC) to finance the acquisition, construction, installation or rehabilitation of certain qualifying economic development projects. The bonds are limited obligations of the EDC payable solely from revenues or other funds provided by the management of the company. The interest paid on the bonds is tax-exempt because of certain provisions in the Internal Revenue Service Code that allows government entities, such as the EDC, to issue tax-exempt obligations that finance certain types of projects. These projects include manufacturing facilities (subject to capital expenditure limitations described below), facilities for nonprofit corporations that have been determined to be organized under Section 501 ©(3) of the Internal Revenue Code, solid waste disposal facilities and certain other exempt facilities permitted under the Internal Revenue Code.

### **WHAT TYPES OF MANUFACTURING FACILITIES CAN BE FINANCED WITH IDRB's?**

An eligible project includes any facility (including equipment), which is used in the manufacturing, production, processing or assembly of "tangible personal property". The owner may not incur capital expenditures exceeding \$10,000,000 during a six year period. (This cap will increase to \$20,000,000 after December 31, 2006). A company should check with their CPA or Bond Counsel to determine their eligibility and financial status.

### **PROCEEDS OF AN IDRB MAY BE USED IN CONNECTION WITH AN ELIGIBLE MANUFACTURING FACILITY TO FINANCE THE FOLLOWING:**

- **The construction of a new manufacturing facility.**

Manufacturing facilities, including land, buildings, site work and equipment, plus certain soft costs and fees related to the financing can be financed with the proceeds of an IDRB. Manufacturing includes any facility that is used (1) in the manufacturing or production of tangible personal property or (2) in a process, which results in a change in the condition of such property. Typically, any process that results in a change in, or adds value to raw materials or any other products can be considered a manufacturing process.

- **The acquisition of an existing facility** (if certain qualifying rehabilitation expenditures with respect to such a facility equal to at least 15% of the total cost of acquisition within two years after the bonds are issued).
- **The purchase of new equipment or the construction improvements to a manufacturing facility.** Qualifying costs include all expenditures related to the manufacturing facility, which are chargeable to a capital account for income tax purposes. No more than 25% of the proceeds of these bonds can be used to acquire land and other facilities that are ancillary to the core manufacturing process.
- **The construction of office, warehouse or lobby space, or other facilities that are ancillary to the manufacturing facility** (within the 25% limitation).
- **Used equipment can be financed with the acquisition of an existing manufacturing facility**