



THE ENTERPRISE GROUP OF JACKSON, INC.

# Tax Abatement Program

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

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OF JACKSON, INC.

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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 (LGU) 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 up to 12-years for the Industrial Property Tax Abatement, P.A. 198, if company meets all eligibility requirements. The rates and conditions vary depending upon the terms of your 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 be eligible for exemption. Eligible companies has expanded to include privately held electric generation plants (until 12/31/2007) and high-technology activity such as: advanced computing, advanced material, biotechnology, electronic device technology, engineering or laboratory testing, medical device technology, product research and development and advanced vehicles technology. Some local units of government incorporate affirmative action agreements.

**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 31<sup>st</sup> 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 an Industrial Development District:** Before commencement of the project, request to establish the district must be filed with your LGU's clerk by the owner(s) of 75% of 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 your LGU's clerk, after the district has been established, and no later than six months after commencement of the project. Applications are filed, reviewed, and approved locally (after a second public hearing), then reviewed by the State Tax Commission (STC) and the Michigan Economic Development Corporation (MEDC). The STC grants final approval and issues the exemption certificates. Locally approved applications (with all necessary 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 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 by P.A. 198 has been made or promised in exchange for favorable consideration of the exemption application.

**If you are uncertain your company qualifies for a Tax Abatement~Call us at 517-788-4455 before making ANY purchases or Capital investments!**