

August 23, 2011

Dear Member:

With the elimination of the Michigan Business Tax (MBT) and the implementation of the Corporate Income Tax (CIT) on January 1, 2012, businesses located in Renaissance Zones may be impacted by the new tax structure.

Businesses operating in Renaissance Zones will continue to receive property tax relief but many will no longer receive a business tax exemption unless the company has a Certificated Credit. A Certificated Credit is a Development Agreement with the Michigan Strategic Fund (MSF). In addition, if a company is part of an approved MSF Tool & Die Recovery Zone and has entered into a Tool & Die Collaborative Agreement, the company will also continue to receive the full Renaissance Zone benefits.

Companies in Renaissance Zones may claim the certificated credit through a unique structure by which the MBT may continue to be filed for the duration of the zone. Companies electing to claim their certificated credits and file the MBT will apply the value of the certificated credit to the higher of either the MBT liability, including non-certificated credits, or the calculated CIT liability as if they were subject to the CIT. Companies may also opt out of this option and simply file under the CIT if they would have a lower CIT liability compared to the value of their certificated credit under the MBT formula. This election is irrevocable so if the company chooses to file under the CIT, it would forego any remaining business tax credits.

Beginning January 1, 2012, individuals that live in a Renaissance Zone must begin paying the state personal income tax. For both individuals and companies, the local Renaissance Zone income tax benefit is not affected.

Again, the business tax change does not impact the property tax benefits of the Renaissance Zones. Companies will continue to receive the personal and real property tax benefits, and individuals living in a Renaissance Zone will continue to receive the real property tax benefits.

As Michigan moves closer to implementing this new tax structure, the MEDC and other partners will conduct forums to help explain these changes. We will send information to MEDA and other organizations regarding forums and are targeting the late fall for these informational sessions.

Please share this information with community leaders so they can share with their constituents. Attached is a fact sheet that is also helpful. If you have questions, please feel free to contact me, Lisa Pung or Tom Rico at (517) 373-9808.

Karla Campbell, Manager  
State Tax Incentives