

Frequently Asked Questions
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, 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 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. How do you apply for an Industrial Facilities Exemption Certificate?

An application for the Industrial Facilities Exemption can be found at the Michigan Department of Treasury website: www.michigan.gov/propertytaxexemptions.

File three 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.

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3. **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 of the properties in the district and multiplying the result by 100.

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

Yes. This recommendation allows applicants to apply for additional replacement facilities where they otherwise might not be allowed. [This is true because in order to have a PRD, at least 50% of the properties in the rehabilitation district must be obsolete. This is measured by dividing the State Equalized Value (SEV) of the obsolete properties in the district by the SEV of all properties in the district and multiplying the result by 100.]

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 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.

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 of the real and/or personal property contained within the boundaries of the specifically described PRD. This figure becomes the frozen TV of the facility.

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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 local unit refuse to establish an Industrial Development District or a Plant Rehabilitation District?

Yes. A local unit can refuse to establish a district and the requestor cannot appeal that decision. 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.

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. What is industrial property?

In order to qualify for the Industrial Facility Exemption Certificate, property must fit the definition of an industrial property. Industrial property is defined in MCL 207.552(6) as follows:

“Industrial property” means 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;

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- 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;
- i. the processing of goods and materials by physical or chemical change¹;
- 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;

¹ “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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- 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.

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.

8. What constitutes 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.”

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The following are examples of the restoration of obsolete industrial property from MCL 207.553(6):

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).)

9. **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].

10. **Are there provisions in the application process which are time sensitive?**

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

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

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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 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(1) provides that the application for an Industrial Facilities Exemption Certificate can only be filed *after* the district has been established.

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.

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11. **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.

12. **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. The final amount approved for Air or Water Pollution Control Exemption will be determined by the Department of Environmental Quality. 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.

13. **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.

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

The starting date of the term of an IFEC is December 31 of the year the certificate is issued by the State Tax Commission (STC). [Example: a certificate issued on November 12, 2008 would have a start date of December 31, 2008.]

15. **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.

16. **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.

17. **Can the ending date of a 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:

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- 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.

18. If an Industrial Facilities Exemption Certificate is granted for less than 12 years, as provided by MCL 207.566a, can the term of the certificate be extended?

Yes. 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.

19. How is the tax computed for a replacement facility?

The Act 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) 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.

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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.

20. How is the tax computed for a new facility?

Real Property

The Act 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

The Act 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.

Personal Property Sited on Real Property Classified as Commercial Real Property

The Act 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

The Act 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.

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PA 1 of 1996 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.

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

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

22. 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.

23. 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

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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 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.

24. **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.² When restoration includes more floor space than the original building, ALL of the additional floor space is treated as a new facility.

² See MCL 207.564 regarding the calculation of the industrial facility tax for new and replacement facilities.

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25. 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 #10.
- b. Some of the equipment was existing equipment which is ineligible for exemption as new property. See also Question #11.
- c. Used equipment was purchased from another manufacturing company, not from a broker of used equipment. See also Question #11.
- 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).

26. 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.
- d. The local unit's resolution approving the request approved a new facility project, not a rehabilitation project.

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27. **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.
- 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.)

28. **Where can I find information regarding the Industrial Facilities Exemption Certificate (IFEC) application process? Where can I check on an IFEC Application acted upon by the State Tax Commission (STC)?**

Information regarding the application process can be found on the Department of Treasury website at: www.michigan.gov/propertytaxexemptions.

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29. **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 owner. Certain mergers and restructuring may also qualify for this shortened procedure. Please contact the Tax Exemption Section at (517) 373-2408 with questions regarding transfers involving a name change, mergers, and restructurings.

30. **Can an Industrial Facilities Exemption Certificate (IFEC) be revoked?**

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.

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

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

No. In a recent case matching these circumstances, the STC ruled that an IFEC could not be revoked as of December 31, 1997 even though it was announced during 1997 that operations would cease as of February, 1998.

32. **Can a decision of the State Tax Commission (STC) regarding an industrial facilities Exemption Certificate (IFEC) 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.”

PA 206 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.)