

State Tax Commission Bulletin No. 11 of 2004
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OCTOBER 28, 2004

TO: Assessors Equalization Directors

FROM: State Tax Commission (STC)

RE: Exemption of Certain Real and Personal Property Associated With an Innovations Center

Public Acts (P.A.) 244 and 245 of 2004 were signed by Governor Granholm on July 22, 2004 with an effective date of July 23, 2004. Copies of these Acts are available on the Internet at www.michiganlegislature.org. When you reach the site, click on Public Acts and enter the act number and the year 2004.

P.A. 244 of 2004 provides for an exemption of the following PERSONAL PROPERTY, STARTING IN 2005, provided that certain requirements have been met:

All personal property owned or used by any Qualified High-Technology Business located in an Innovations Center.

All personal property owned or used by the administration of an Innovations Center.

P.A. 245 of 2004 provides for an exemption of all REAL PROPERTY of an Innovations Center, STARTING IN 2005, provided that certain requirements have been met. This exemption is for real property that is:

located in a certified technology park AND

is owned or used by the administration of the Innovations Center.

The provisions of P.A. 244 and 245 of 2004 will be discussed separately under paragraphs A and B of this bulletin.

A) The Exemption of Certain PERSONAL PROPERTY

Associated With an Innovations Center.

P.A. 244 of 2004 provides for an exemption of the following personal property, STARTING IN 2005, provided that certain requirements have been met:

All personal property owned or used by any Qualified High-Technology Business located in an Innovations Center.

NOTE: There can be more than one Qualified High-Technology Business within an Innovations Center.

All personal property owned or used by the administration of an Innovations Center.

What is an Innovations Center?

An "Innovations center" means real property that meets ALL of the following conditions:

It is a business incubator as that term is defined in section 2 of the Local Development Financing Act, 1986 PA 281, MCL 125.2152, AND

It is located within a single building, AND

It is primarily used to provide space and administrative assistance to 1 or more Qualified High-Technology Businesses located within the building.

What is a Qualified High-Technology Business?

A Qualified High-Technology Business means a business that is

EITHER of the following:

A business with not less than 25% of the total operating expenses of the business used for research and development as determined under generally accepted accounting principles, OR

A business whose primary business activity is high-technology activity.

What is High-Technology Activity?

High-technology activity means 1 or more of the following:

Advanced computing, which is any technology used in the design and development of any of the following:

Computer hardware and software.

Data communications.

Information technologies.

Advanced materials, which are materials with engineered properties created through the development of specialized process and synthesis technology.

Biotechnology, which is any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product, improve plants or animals, or develop microorganisms for useful purposes. Biotechnology does not include human cloning as defined in section 16274 of the public health code, 1978 PA 368, MCL 333.16274, or stem cell research with embryonic tissue.

Electronic device technology, which is any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics, and optical and optic-electrical devices, or data and digital communications and imaging devices.

Engineering or laboratory testing related to the development of a product.

Technology that assists in the assessment or prevention of threats or damage to human health or the environment, including, but not limited to, environmental cleanup technology, pollution prevention technology, or development of alternative energy sources.

Medical device technology, which is any technology that involves medical equipment or products other than a pharmaceutical product that has therapeutic or diagnostic value and is regulated.

Life science technology, which is any technology that has a medical diagnostic or treatment value, including, but not limited to, pharmaceutical products.

Product research and development.

What Process Must be Followed to Qualify for the Exemption?

P.A. 244 of 2004 requires a two-step process in order to qualify for the personal property exemption associated with an Innovations Center.

The exemption must be claimed by the administration of an Innovations Center by filing an Affidavit with the assessor of the Local Tax Collecting Unit. The affidavit shall be in a form prescribed by the State Tax Commission.

NOTE: The State Tax Commission considers townships and cities to be Local Tax Collecting Units.

The form prescribed by the State Tax Commission is Form #4230.

This form can be found on the Treasury Department Web site at www.michigan.gov/treasury. When you reach the site, click on Forms, then click on Property Tax, and then click on Property Tax-Abatement Exemption.

The governing body of the Local Tax Collecting Unit must adopt a resolution exempting the personal property from the collection of taxes.

IMPORTANT NOTE: A copy of the resolution shall be filed with the State Tax Commission.

Is it necessary for the Local Tax Collecting Unit to notify anyone prior to approving a resolution for exemption?

Yes, P.A. 244 of 2004 provides that the Clerk of the Local Tax Collecting Unit shall notify, in writing, the assessor of the Local Tax Collecting Unit and the legislative body of each taxing unit that levies ad valorem property taxes in the unit. These parties shall be afforded the opportunity for a hearing.

6) Is there a deadline for the Local Tax Collecting Unit to adopt a resolution approving exemptions of the personal property associated with an Innovations Center?

While P.A. 244 of 2004 does not name a deadline, it is the opinion of the State Tax Commission that section 2(2) of the General Property Tax Act provides that the effective date of the exemption is December 31 following completion of the processing of the exemption described in Question 4 (above) of this bulletin. For example, if the processing is completed on November 19, 2004, the effective date of the exemption is 12-31-04 and the property is first exempt on the 2005 assessment roll.

What is the term of the exemption provided by P.A. 244 of 2004?

P.A. 244 of 2004 does not address the term of the exemption provided. It is the opinion of the State Tax Commission that the exemption will continue on indefinitely as long as the property continues to qualify for the exemption.

What is the appeal process for this exemption?

There are no special provisions in this law addressing the appeal process relating to this exemption. Therefore, it is the opinion of the State Tax Commission that the appeal process is through the March Board of Review and then to the Michigan Tax Tribunal in writing by June 30.

The Exemption of Certain REAL PROPERTY of an Innovations Center.

P.A. 245 of 2004 provides for an exemption of all REAL PROPERTY of an Innovations Center, STARTING IN 2005, provided that certain requirements have been met. This exemption is for real property that is:

located in a Certified Technology Park AND

is owned or used by the administration of the Innovations Center.

NOTE: This is not an exemption from Special Assessments unless the law authorizing the Special Assessment specifically includes the exemption. This is the case with the Special Assessments levied under the Police and Fire Protection Act (PA 33 of 1951).

What is a Certified Technology Park?

A Certified Technology Park means that term as defined in Michigan Compiled Laws (MCL) 125.2152. A paraphrased definition follows: A Certified Technology Park means that portion of a Local Development Finance Authority district which has been designated as a Certified Technology Park by a written agreement (entered into pursuant to MCL 125.2162a) between the Local Development Finance Authority, the municipality, and the Michigan Economic Development Corporation.

Can more than one Innovations Center in a Certified Technology Park be exempt?

NO. P.A. 245 of 2004 states that not more than one Innovations Center located in a Certified Technology Park is eligible for the exemption.

3) Are the definitions of Innovations Center, Qualified High-Technology Business, and High-Technology Activity the same for P.A. 244 of 2004 and P.A. 245 of 2004?

Yes, the definitions are the same. Please see the definitions under Paragraph A of this bulletin.

4) What Process Must be Followed to Qualify for the Exemption?

P.A. 245 of 2004 requires a two-step process in order to qualify for the real property exemption associated with an Innovations Center.

The exemption must be claimed by the administration of an Innovations Center by filing an Affidavit with the assessor of the Local Tax Collecting Unit. The affidavit shall be in a form prescribed by the State Tax Commission.

NOTE: The State Tax Commission considers townships and cities to be Local Tax Collecting Units.

The form prescribed by the State Tax Commission is Form #4230. This form can be found on the Treasury Department Web site at www.michigan.gov/treasury. When you reach the site, click on Forms, then click on Property Tax, and then click on Property Tax-Abatement Exemption.

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IMPORTANT NOTE: A copy of the resolution shall be filed with the State Tax Commission.

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Yes, P.A. 245 of 2004 provides that the Clerk of the Local Tax Collecting Unit shall notify, in writing, the assessor of the Local Tax Collecting Unit and the legislative body of each taxing unit that levies ad valorem property taxes in the unit. These parties shall be afforded the opportunity for a hearing.

6) Is there a deadline for the Local Tax Collecting Unit to adopt a resolution approving exemptions of the real property of an Innovations Center?

While P.A. 245 of 2004 does not name a deadline, it is the opinion of the State Tax Commission that section 2(2) of the General Property Tax Act provides that

the effective date of the exemption is December 31 following completion of the processing of the exemption as described in Question 4 of paragraph B of this bulletin. For example, if the processing is completed on November 19, 2004, the effective date of the exemption is 12-31-04 and the property is first exempt on the 2005 assessment roll.

What is the term of the exemption provided by P.A. 245 of 2004?
P.A. 245 of 2004 does not address the term of the exemption provided. It is the opinion of the State Tax Commission that the exemption will continue on indefinitely as long as the property continues to qualify for the exemption.

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