

*Industrial Facilities Tax
Abatement Guidelines
&
Forms*

**CITY OF CORUNNA
402 NORTH SHIAWASSEE
CORUNNA, MI
(989) 743-3650**

Dear Industrial Facilities Exemption Certificate Applicant:

Enclosed please find the following:

1. **P.A. 198 Tax Abatement Process**
Instructions for Companies and Local Units
2. **Guidelines for Tax Abatement Status-** Personal & Real Property
3. **Form 1012 (Formerly L-4380) “APPLICATION FOR INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE”**
(Excel format of this form can be requested from assessor)
4. **INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE LETTER OF AGREEMENT**

Items 1 and 2 are enclosed for your information. It is important for companies to have an understanding of the requirements for filing complete applications with the City of Corunna. This helps to alleviate problems that may arise if in fact the application is lacking information and / or important documentation that is required by the State Tax Commission.

Items 3-5 are the required forms that must be completed and filed with the City of Corunna prior to a public hearing being held for the requested abatement.

If you have questions regarding the enclosed information packet, feel free to contact CLERK, City of Corunna at (989) 743-3650.

Corunna City Council

P.A. 198

Tax Abatement Process

Instructions for Companies and Local Units

Industrial Property Tax Abatement

(P.A. 198 of 1974, as amended)

P.A. 198 of 1974, as amended, is designed to maintain existing jobs and create new job opportunities for Michigan residents by providing substantial property tax incentives to industry to renovate and expand aging manufacturing plants or to build new plants in Michigan.

Local Option

Tax benefits under the Act are granted by the legislative body of the city, township or village in which the facility will be located. The process is started by the adoption of a resolution establishing a plant rehabilitation district (for a rehabilitation project) or an industrial development district (for a new project) after a public hearing. A request for establishment of the district must be filed with the clerk prior to commencement of construction, alteration, or installation of equipment.

After the district is established, the company may apply for an Industrial Facilities Exemption Certificate (**IFEC**), which exempts it from property taxes (real & personal) for up to 12 years. Instead of the property tax, the firm pays a specific tax called the Industrial Facilities Tax, which is described below.

New Facility – Industrial Development District

For a new plant, the Industrial Facilities Tax is also determined like the property tax but only half the millage rate is applied, plus the 6-mill State Education Tax. This amounts to approximately a 50% reduction in the property taxes on new construction and/or machinery and equipment.

Obsolete Facility - Plant Rehabilitation District

For an obsolete plant or machinery that is being replaced or restored, the Industrial Facilities Tax is determined like an ad valorem property tax except the assessed value of the plant is “frozen” at the level of the obsolete facility prior to improvement. This results in a 100% exemption from the property taxes on new construction and/or new machinery and equipment.

Application Process

Granting Industrial Facilities Exemption Certificates is a two-step process- local and state. Applications must be filed locally no later than six months after commencement of the project. Applications are filed, reviewed, and approved locally (After a second public hearing) and then are reviewed by the State Tax Commission and the Michigan Economic Development Corporation. The State Tax Commission grants final approval and issues the exemption certificates. Locally approved applications (with attachments) must be received by the State Tax Commission by October 31 to receive consideration and action by December 31.

As of December 31, 1993 each application must include an agreement signed by the local unit and the operator of the facility outlining conditions/recourses to be upheld during the abatement.

Eligible Facilities

Industrial plants eligible for tax benefits under Act 198 are those which primarily manufacture or process goods or materials by physical change. Related facilities of Michigan manufacturers such as offices, engineering, research and development, warehousing or parts distribution are also eligible for exemption.

The exemption applies to buildings, building improvements, machinery, equipment, furniture and fixtures. Real property and personal property are eligible whether owned or leased (provided the lessee is liable for payment of taxes on the property).

The exemption covers only the specific project which is the subject of the application for an Industrial Facilities Exemption Certificate. Any existing buildings and any equipment which existed prior to construction of a “new facility” are not exempt. If the project is a “rehabilitation,” the value of pre-existing obsolete property is exempt from ad valorem taxes but will be used as the base for Industrial Facility Tax. Similarly, any structures or equipment added subsequent to the completion of the project are fully taxable. Land is specifically excluded from the benefits of the act and is fully taxable.

Transfer of an Industrial Facilities Exemption Certificate

An Industrial Facilities Exemption Certificate may be transferred and amended by the holder to a new owner, but only with the approval of the granting local government and the State Tax Commission (27753 M.C.L.A. 207.5710). The new owner must use the form for the “Application for the Industrial Facilities Exemption Certificate” to apply for a transfer.

State Tax Commission Rule 209.55

R209.55 Notification of date of project completion, filing of final cost Rule 5.5

1. The applicant for an Industrial Facilities Exemption Certificate, or holder of a certificate, shall notify the assessing officer and the State Tax Commission of the date of completion, as explained in Section 16 of Act No. 198 of the Public Acts of 1974, as amended, being paragraph 207.566 of the Michigan Compiled Laws.
2. The notification of the completion of the project shall be filed within thirty (30) days of completion.
3. The final cost of a facility shall be filed with the assessing officer and the State Tax Commission within ninety (90) days of completion.

State Tax Commission Rule 209.57

All completed applications for Industrial Facilities Exemption Certificates received by October 31, shall receive consideration and action by the State Tax Commission before December 31. An application received on or after November 1 shall be considered by the State Tax Commission contingent upon staff availability.

Community Goals and Objectives in Establishing A Tax Abatement Policy

The Corunna City Council will evaluate all Act198 applications in light of the following goals and objectives. These goals and objectives are to be applied equally in the review of applications from both local applicants and those from outside the community.

1. It is determined that a good public purpose for the City of Corunna would be served, i.e. and expanded tax base and employment.
2. The project will promote diversification of the City of Corunna's present industrial base in order to lessen the impact of unemployment during periods of recession.
3. The project will promote the continuing upgrade of the City of Corunna's labor force by promoting more skilled and technically oriented jobs within the community.
4. The project will increase the community's average income level through the promotion of higher paying jobs within the City of Corunna.
5. The development of the proposed industrial facilities will compliment the City of Corunna's land use and environmental objectives.
6. The proposed industrial facilities will be compatible with the City of Corunna's present and future requirement for services such as roads, utilities, and public services.
7. The abatement applicant meets current financial obligations to the local government, or if moving from another location has met the financial obligations to that jurisdiction.
8. Promoting this project can and will provide economic stimulus to other private sector facilities, especially supportive facilities in the City of Corunna.

The City of Corunna is desirous of continuing to provide opportunity for industrial development and expansion, and hence the creation of additional jobs for its residents. The City of Corunna also recognizes its responsibility to the community to maintain service and uphold the quality of life within the community. To carry out these responsibilities, the City of Corunna has established the procedures outlined herein.

It is the hope of the City of Corunna City Council that these guidelines will assist the industrial community in its continuing efforts to contribute to the welfare of the community as a whole.

***DETERMINATION OF NUMBER OF YEARS FOR AN
INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE***

The Corunna City Council will review, calculate and determine the term of each IFEC based on the criteria and objectives listed in Attachment C. The City of Corunna however, reserves the discretion to consider such other criteria, which are consistent with Public Act 198, as amended, and the general health safety and welfare of the City of Corunna. Based on these criteria the Corunna City Council may approve, deny or adjust the determination as to the number of years the IFEC for the tax abatement. This would hold true in the determination of the renewal of the IFEC for the tax abatement.

ALL APPLICANTS, HOWEVER, SHOULD RECOGNIZE THAT DECISIONS ON THE TYPE OF ABATEMENT PROVIDED AND/OR THE DURATION OF THE ABATEMENT ARE THE SOLE DISCRETION OF THE CORUNNA CITY COUNCIL AND ARE SUBJECT TO REVIEW BY THE STATE TAX COMMISSION.

No representations or estimates by employees or agents of the City of Corunna as to the type and/or duration of tax abatement to be provided should be construed as binding upon the Corunna City Council in making its decision.

STEPS FOR COMPANIES TO FOLLOW

- A. Establishment of a Plant Rehabilitation District or an Industrial Development District:
1. Before commencement of the project an Industrial Development District must be / or have been established that would encompass the legal description of the property. (Assessor has current District information)
 2. If a district has not been established, a request to establish the district must be filed with the clerk by the owner(s) of 75% of state equalized value in the district, or by the initiative of the local governmental unit.
 - i. Furnish the local unit with a letter of request to establish the district. The legal description of the property must be in the letter.
 - ii. Attend the Hearing and explain the proposed project.
- B. Filing of the Application for Industrial Facilities Exemption Certificate
1. Follow “INSTRUCTIONS” on Page 4 of the Application for Industrial Facilities Exemption Certificate. It is very important that all of the required documents accompany your application.
 2. Applicant must file an **original** and three **(3) copies** of the completed application (Form 1012 formerly L-4380) including all attachments with the City of Corunna’s Clerk. **Each copy must be signed and dated.** Said application must be filed with the clerk no later that 6 months after commencement of the replacement, restoration, upgrading, expansion or construction of the facility, or cannot be considered for approval.
 3. Applications received by the State Tax Commission after December 31, 1997 must include the **Letter of Agreement** signed by the local unit and operator of the facility outlining conditions/recourses to be upheld during abatement. Also required is the **Affidavit of Fees** which states that no payment of any kind in excess of the fee allowed by Act 198 has been made or promised in exchange for favorable consideration of this exemption application. (Both forms are enclosed in this packet and must accompany the application).

STEPS FOR THE CITY OF CORUNNA TO FOLLOW

- A. Upon receipt of the Industrial Facilities Exemption Certificate application, the City of Corunna's Clerk will notify the assessor and the legislative body of each taxing unit that levies ad valorem taxes within the City of Corunna that would be affected by allowance of the tax abatement. The City of Corunna Clerk, after posting proper public and legal notices, would then place the matter on the agenda for the Corunna City Council for consideration within sixty (60) days of receipt of the tax abatement application.
- B. The Corunna City Council will decide local approval of the Industrial Facilities Exemption Certificate. The Corunna City Council may exercise its discretion not only to accept or reject the application, but to determine the length of the Public Act 198 abatement certificate in accordance with the objectives and guidelines set forth in this document, and the general health, safety and welfare of the City of Corunna.
- C. Final certification for the tax-abated project will be made by the State Tax Commission upon timely receipt (prior to November 1st of each year) of the application approved by the City of Corunna.

Disapproval / Appeals

The Corunna City Council shall by resolution either approve or disapprove the application for an Industrial Facilities Exemption Certificate in not more than sixty (60) days after receipt of the application by the City of Corunna Clerk in accordance with Section 9 and the other provisions of Public Act 198, as amended. If disapproved, the City of Corunna Clerk shall return the application to the applicant. The applicant may appeal the disapproval to the State Tax Commission within ten (10) days after the date of disapproval.

Local Agreement / Annual Report

The State Tax Commission mandates that each community enter into an agreement with companies or corporations granted tax abatement benefits. This agreement covers such issues as investment, job creation, non-relocation and maintenance of property. In addition, the agreement requires that all companies or corporations receiving tax abatement benefits shall submit to the City of Corunna Assessor an annual status report recapping the activity of the abated project as of December 31st of each year for the term of the Industrial Facilities Exemption Certificate. The report will be due no later than February 20th of each subsequent year. The report will indicate actual monies expended as of each annual report date, the total project actual costs by year of completion and the actual number of jobs created and retained at the level set forth in the Industrial Facilities Exemption Certificate as of December 31st of each year of the project. If, as of any annual report date during the life of the project, there is a variation of more than ten (10) percent in regards to estimated employment levels or monies from what was set forth in the IFEC application, the Company or Corporation must include an explanation in the annual status report.

Revocation of an Industrial Facilities Exemption Certificate

The City of Corunna will not petition the State Tax Commission for a revocation of an IFEC unless the Company or Corporation fails to follow the law under Section 15 of Public Act 198, as amended.

**INDUSTRIAL FACILITIES EXEMPTION CERTIFICATE
LETTER OF AGREEMENT**

This Agreement, made this _____ day of _____, in the year 2____ by and between (company name): _____ of (address): _____

_____ (hereafter referred to as [the Company"]) and the City of Corunna of 402 North Shiawassee Street, Corunna, Michigan 48817, hereafter referred to as "City", for purposes of fulfilling the requirements of Act. No. 198 of the Public Acts of 1974, as amended in the year 1999, herein sets forth the rights, duties and obligations of the respective parties.

1. The Company acknowledges that said Company has made certain material representation to the City in its application for an Industrial Facilities Exemption Certificate dated _____, 2____, upon which the City has justifiably relied, and upon which the City will continue to rely unless otherwise notified. And furthermore, that based on these material representations, the Company will receive monetary benefits, i.e. tax abatements, to which it would otherwise not be entitled.
2. The Company further acknowledges that all material representations made in the application for the Industrial Facilities Exemption Certificate are true and correct to the best of the Company's information, knowledge and belief; and that said representations include the past history of the Company, the present status of the Company and the future duties and obligations to be performed by the Company as set forth by the City.
3. In consideration of the receipt of an Industrial Facilities Exemption Certificate, it is expressly agreed by the Company that should the material representations of the Company be erroneous, or should the company fail to substantially perform any of the future duties, and obligations as set forth by the City, the same shall be deemed to constitute a breach of this agreement; and the City Council, upon its review, may exercise its option to deny renewal of the said abatement.
4. Company shall submit to the City Assessor, for the term of the Industrial Exemption Certificate, an annual status report recapping activity regarding the abated project as of December 31st of each year of the abated project. Said report will be due no later than February 20th, of each subsequent year for the term of the abated project. It will indicate the actual monies expended as of each annual report date, actual costs for the total project by year of completion and actual number of jobs created as forecast in the application for the Industrial Facilities Exemption Certificate. If, as on any annual report date during the term of the tax abated project, there is a variation of more than ten percent (10%) in the estimated employment level or the expended monies from what was set forth in the application, the City Council, upon its review, may exercise its option to deny renewal of the tax abatement.
5. The Company further agrees that it shall pay all taxes and assessments on the regular ad valorem tax roll, real and personal, hereupon levied on said premises, or on any equipment or personal property thereon before any penalty for non – payment attaches thereto. This is to take effect beginning with the next tax billing and continuing throughout the term of the Industrial Facilities Certificate. Failure to pay all such taxes as provided above shall be deemed to constitute a breach of this agreement and the City may petition the State Tax Commission to revoke the Industrial Facilities Exemption Certificate and/or may otherwise proceed in accordance with remedies provided by statute. The Company maintains the right to protest any tax assessments it believes are improper

without jeopardizing the benefits of the Industrial Facilities Exemption Certificate.

6. Under this provision, the Company agrees to maintain buildings, equipment and employment relating to the tax abated project at the level as represented by the Company in its application for an Industrial Facilities Exemption Certificate and its site plan as recorded by the City. Failure to implement and maintain and/or improve buildings, equipment and employment at the level represented by the Company in its application for an Industrial Facilities Exemption Certificate and its site plan as recorded by the City shall be deemed a breach of this agreement and the City, upon its three year review, may exercise its option to deny renewal of the Industrial Facilities Exemption Certificate.
7. The Company represents that it intends to remain within the City of Corunna during the entire period of time for which the Industrial Facilities Exemption Certificate has been approved. The Company acknowledges that if the Company fails to remain within the City of Corunna during the entire period for which the Industrial Facilities Exemption Certificate was granted, the Company is liable to the government unit from which it is leaving, upon relocating, for an amount equal to the difference between the industrial facilities tax to be paid by the Company for the tax years remaining under the Industrial Facilities Exemption Certificate that is effect and the general ad valorem property tax that the Company would have paid if the Company did not have an Industrial Facilities Exemption Certificate in effect for years.
8. The Company acknowledges that the City will review all Industrial Facilities Exemption Certificates. The City acknowledges that, in some instances, economic conditions, technology, or conditions beyond the control of the Company may prevent the Company from complying with all the terms of the agreement. Therefore, with the exception of the Company leaving the City of Corunna, or failure to pay all taxes and assessments as stated in Item 5, the City of Corunna will take no action to revoke or deny renewal of the tax abatement. An exception would occur when, after reviewing the yearly reports of the Industrial Facilities Exemption Certificate the Corunna City Council determines that there has been a measurable, continuing, or obvious breach of this agreement. The City agrees that it shall give the Company an opportunity to explain to the Corunna City Council the reasons for any variations from the representations as contained in the Application for the Industrial Facilities Exemption Certificate and/or the site plan of the tax abated property as recorded by the City of Corunna. The Corunna City Council in its sole discretion, will evaluate the Company's situation prior to taking any action authorized by this Agreement regarding revocation.
9. This agreement shall become effective upon its issuance of an Industrial Facilities Exemption Certificate for a tax abatement in compliance with the Application for an Industrial Facilities Exemption Certificate by the Michigan State Tax Commission and shall be null and void and of no force and effect whatsoever if the Michigan State Tax Commission fails to issue such a Certificate. The Agreement shall be null and void upon expiration of the Industrial Facilities Exemption Certificate.
10. The Affidavit herein attached as "Exhibit A" is incorporated by reference as if fully set forth herein.

In WITNESS WHEREOF, the parties have hereunto set their hands and seals this date.

WITNESSES

COMPANY

WITNESSES

City of Corunna

Mayor Steve Corey

Clerk

AFFIDAVIT OF FEES

STATE OF MICHIGAN

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COUNTY OF SHIAWASSEE

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The undersigned, being first duly sworn deposes and says as follows:

No payment of any kind in excess of the fee allowed by Act 198, as amended, has been made or promised in exchange for favorable consideration of the Industrial Facilities Exemption Certificate application.

COMPANY

On the ____ day of _____, 2____, before me, a Notary Public in and for said County, appeared _____, to me personally known, who being duly sworn did say that he is the _____ of _____, the corporation named herein and which executes the within instrument, and that said instrument was signed in behalf of said corporation by the authority of its City Council, and acknowledged said instrument to be the free act and deed of said corporation.

_____, Notary Public
_____, Michigan
My Commission Expires: _____

CITY OF CORUNNA

Mayor Steve Corey

On the ____ day of _____, 2____, before me a Notary Public in and for said County, appeared _____, to me personally known, who being duly sworn did say that he is the _____ of the City of Corunna the governmental entity named herein and which executes the within instrument, and that said instrument was signed and sealed in behalf of said governmental entity by authority of the Corunna City Council and acknowledged said instrument to be the free act and deed of said governmental entity.

_____, Notary Public
_____, Michigan
My Commission Expires: _____

(C)

**Guidelines for Tax Abatement Status
CITY OF CORUNNA, Shiawassee County, Michigan**

Real & Personal Property

1.	<u>Type of Use</u>	<u>Base Years of Tax Abatement</u>
	R & D (Research and Development)	12*
	High Technology	12*
	Manufacturing	6
	Assembly	6
	Warehousing	4
	Agricultural Processing	4

Additional years of an abatement may be granted based on the following investments in:

2.	<u>Capital Investment (Real & Personal Property)</u>	<u>New & Rehab</u>
	\$ 50,000-250,000	1
	\$ 250,001-750,000	2
	\$750,001-2,000,000	3
	+ \$2,000,000	4

3. Total Potential Average Increase in Full-Time Employees Earning Either Two or Three Times the National Minimum Wage Rate or More

<u>Number of Employees</u>	<u>2 x NMW</u>	<u>3 x NMW</u>
1 --- 10	1	5
11 --- 25	2	6
26 --- 50	3	12*
51 --- 75	4	
+75	12	

4. Established Local Business Credit for Historical Investment to the Local Community in Tax Base and Employment

<u>Years In Business</u>	<u>Points</u>
6 --- 10	1
11 --- 15	2
+15	3

It must be understood that this is merely a guideline and does not infer any obligation on the part of the Corunna City Council.

* 12 Years, 50% abatement is the maximum amount allowed by law.

Tax Abatement Worksheet
CITY OF CORUNNA
Shiawassee County, Michigan

Real & Personal Property

1. What type of business are you engaged in?

<u>Type of Use</u>	<u>Base Years of Tax Abatement</u>
___ R & D (Research and Development)	12*
___ High Technology	12*
___ Manufacturing	6
___ Assembly	6
___ Warehousing	4
___ Agricultural Processing	4

Additional years of an abatement may be granted based on the following investments in:

2. How much capital investment (buildings, equipments, computers, etc.) are you planning on investing? _____

<u>Capital Investment (Real & Personal Property)</u>	<u>New & Rehab</u>
\$ 50,000-250,000	1
\$ 250,001-750,000	2
\$750,001-2,000,000	3
+ \$2,000,000	4

3. How many new employees and at what wage level do you plan on hiring with this project? Employees _____ Wage Level _____

Total Potential Average Increase in Full-Time Employees Earning Either Two or Three Times the National Minimum Wage (NMW) Rate or More

<u>Number of Employees</u>	<u>2 x NMW</u>	<u>3 x NMW</u>
1 --- 10	1	5
11 --- 25	2	6
26 --- 50	3	12*
51 --- 75	4	
+75	12	

4. How many years has your business been in operation in the City of Corunna?

<u>Years In Business</u>	<u>Points</u>
6 --- 10	1
11 --- 15	2
+15	3

It must be understood that this is merely a guideline and does not infer any obligation on the part of the Corunna City Council.

* 12 Years, 50% abatement is the maximum amount allowed by law.

Example

A new manufacturing firm is looking to locate in our community may invest \$500,000 in Machinery & Equipment and hire an additional 8 employees at \$16.00/hr.

CITY OF CORUNNA
Shiawassee County, Michigan

Real & Personal Property

1. What type of business are you engaged in?

<u>Type of Use</u>	<u>Base Years of Tax Abatement</u>
___ R & D (Research and Development)	12*
___ High Technology	12*
<u>X</u> Manufacturing	6
___ Assembly	6
___ Warehousing	4
___ Agricultural Processing	4

Additional years of an abatement may be granted based on the following investments in:

2. How much capital investment (buildings, equipments, computers, etc.) are you planning on investing? \$500,000

<u>Capital Investment (Real & Personal Property)</u>	<u>New & Rehab</u>
\$ 50,000-250,000	1
<u>\$ 250,001-750,000</u>	2
\$750,001-2,000,000	3 +
\$2,000,000	4

3. How many new employees and at what wage level do you plan on hiring with this project? Employees _____ Wage Level _____

Total Potential Average Increase in Full-Time Employees Earning Either Two or Three Times the National Minimum Wage (NMW) Rate or More

<u>Number of Employees</u>	<u>2 x NMW</u>	<u>3 x NMW</u>
1 --- 10	1	5
11 --- 25	2	6
26 --- 50	3	12*
51 --- 75	4	
+75	12	

4. How many years has your business been in operation in the City of Corunna?

<u>Number of Years</u>	<u>Points</u>
6 --- 10	1
11 --- 15	2
+15	3

TOTAL = 12 Years

* 12 Years, 50% abatement is the maximum amount allowed by law.