

City of Troy

Tax Abatement Statement of Purpose

WHEREAS, The City of Troy has the economic objective of:

- increasing employment opportunities,
- diversifying and stabilizing the tax base of the community,
- reducing economic obsolescence,
- providing homogenous industrial areas,
- encouraging expansion,
- providing for improved public facilities,
- encouraging attractive, viable building sites and
- enhancing our economic development tools to attract and retain businesses

For assistance with...

Business attraction and retention, please contact the Economic Development Office, 248.524.3314.

The IFEC process and application, please contact the City Assessor's Office at 248.524.3311.



500 West Big Beaver
Troy, Michigan 48084
248.524.3300

P.A. 198 Industrial Facilities Tax Exemption (Tax Abatement) Guidelines

A company that is in the planning phase of a major business attraction or expansion project that will include a capital investment in real and/or personal property may be eligible for a P.A. 198 Industrial Facilities Tax Exemption (tax abatement). Established by the State of Michigan, P.A. 198 tax exemptions allow companies to receive approximately a 50% reduction in their anticipated new real or personal property tax liability. Troy City Council has adopted the following criteria to establish eligible applications for consideration of a real and/or personal property tax abatement.

POLICY ELIGIBILITY CRITERIA:

1. An Industrial Facilities Exemption Certificate (IFEC) tax abatement shall not be granted until there is compliance with MCL 207.559; and
2. Any real and/or personal property tax abatement at a minimum must be revenue neutral to the City of Troy.
3. Leasehold property shall not qualify for an IFEC tax abatement unless applicant is responsible for payment of the property taxes, and can demonstrate timely payment of property taxes upon the City's request; and
4. An IFEC tax abatement shall not be issued for a period or term exceeding 12 years; and
5. An IFEC tax abatement shall not be issued unless an Applicant meets two of the three criteria listed below:
 - will create more than 10 jobs
 - has a real and/or personal property investment of at least \$750,000.00
 - owns the underlying real property or has a lease for the
 - underlying property for a minimum term of 5 years

APPLICATION PROCESS:

Once a company has determined that it meets the minimum criteria for consideration of a tax abatement, then a company may begin the process of formally applying for the IFEC. The process is as follows:

1. Letter of Intent submitted on Applicant's letterhead to the City Assessor (purchases made after the Letter of Intent is submitted may then be eligible for Tax Abatement. No purchases made before the submittal are eligible).
2. Complete Michigan Department of Treasury Form 1012 (Rev 4-06)
3. Include with the form:
 - Detailed list of personal property to be purchased including anticipated dates of purchase and cost
 - Cost Sheet for anticipated improvements in real property
 - Lease Agreement showing building terms and applicants' tax liability (if applicable)
4. Submit application and attachments to City Assessor
5. City Council Public Hearings are scheduled
6. City Council establishment of the District and approval of the IFEC
7. Resolution submitted to State Tax Commission for final approval and issuance of certificates
8. December 31st of the year the certificate is awarded – the projected investment must be complete within two years.

LENGTH OF THE TAX ABATEMENT:

Troy City Council has approved the use of the following matrix to calculate the length of an IFEC tax abatement, where the increase in the number of jobs created will increase the term of the IFEC abatement, and similarly the increase in the personal property investment and the ownership/lease conditions on the real property will increase the term of the IFEC abatement:

Tax Abatement Matrix for Real and Personal Property					
Job Creation		Building Terms		RP and/or PP Investment	
10-24	1 year	Own	4 year	\$750,000	1 year
25-49	2 years	Lease		\$ 2,000,000	2 years
50 - 99	3 years	5 year	1 Year	\$ 5,000,000	3 years
100 - 149	4 years	6 - 9 year	2 years	\$ 10,000,000	4 years
150 - 199	5 years	10 + year	4 years	\$ 20,000,000	5 years
200 +	6 years				

EXAMPLE:

Company A is planning to lease R&D space for their new high tech facility. The company will sign a 5 year lease and will purchase \$4 million in new equipment and computers. The company will create 100 jobs with this investment.

Therefore, the company would be eligible to receive:

- 4 years – (jobs created) PLUS
- 1 year – (building terms) PLUS
- 2 years – (personal property investment)

- 7 years total for personal property tax abatement

TAX ABATEMENT APPLICATION FEE:

The Troy City Council has authorized the implementation of an application fee equal to 2% of the estimated personal property taxes abated under the terms of the IFEC tax abatement, or the actual costs of processing the application, whichever is less. The City of Troy will not charge or collect any other fees for the application, in keeping with MCL 207.555 (3).

REQUIREMENTS AFTER TAX ABATEMENT IS APPROVED:

By the December 31 date that is 2 years after the December 31 of the year that the abatement is approved, the applicant will supply the City Assessor with a Letter confirming that the purchases, employment numbers, and/or renovations are complete. If these figures have not been reached, a letter of explanation must be submitted to the City Assessor, for review by City Council, which may then cancel the abatement, or offer a new abatement with reduced values and years.