

MANUFACTURING IN WEST MICHIGAN

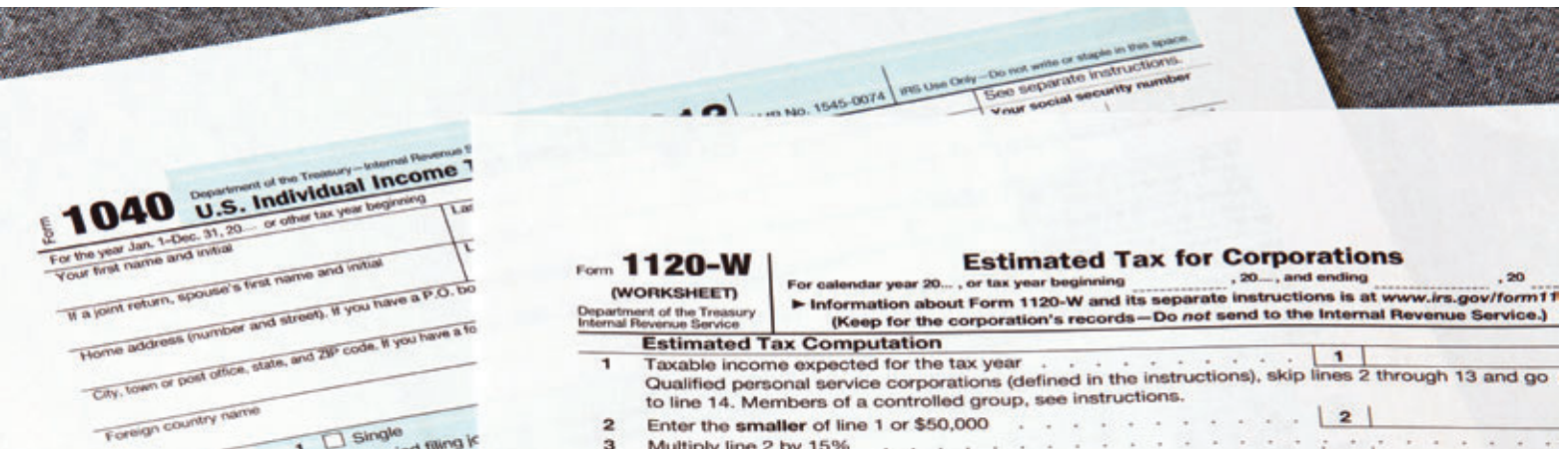


GREATER GRAND RAPIDS
MICHIGAN

COST OF DOING BUSINESS

TAX INFORMATION

CATEGORY	TAX RATE	DETAILED INFORMATION
Personal Income Tax	4.25%	Michigan's personal income tax system consists of a flat rate of 4.25% of an individual's or household's income.
Corporate Income Tax	6%/4.25%	Michigan's corporate income tax system consists of a flat rate of 6% of taxable income of firms structured as C corporations. Income for other business entities flows through to the owners' personal income taxes and is taxed at a flat income tax rate of 4.25%.
Sales and Use Taxes	6%	Michigan levies a 6% general sales and use tax on purchases by consumers on tangible goods. Businesses pay the same 6% sales/use tax rate when purchasing consumer goods.
Gasoline/ Fuel Tax	\$0.39/gallon	Michigan's gasoline tax stands at 39.1¢, while its cigarette tax stands at \$2.
Personal Property Tax	phased out	Michigan began phasing out its Personal Property Tax (PPT) for most businesses in 2014. Timing of the phase out depended on the value of the personal property and when it was purchased. All first-owner purchases after 2012 became 100% exempt beginning 2016.
State Essential Services Assessment	0.24%-0.09% (declining over time)	Beginning January 1, 2016, a new state tax known as the state essential services assessment (SESA) was levied, replacing the current personal property tax. Funds collected are used to support the costs of local police, fire, ambulance, and jail services. The SESA will be imposed on the personal property that is now exempt from the personal property tax. The SESA will be computed on the acquisition cost of taxable property at a declining millage rate scale over time.
Real Property Taxes	\$49.20 per \$1,000 (average) 4.92% (average)	<p>Michigan is one of the 37 states that collect property taxes at both the state and local levels. Both real property (fixed property; principally land & buildings) and personal property (movable property; belongings exclusive of land & buildings) are assessed at 50% of current true cash value.</p> <p>The average non-homestead property tax rate was 49.20 mills, or \$49.20 per \$1,000 of assessed property. Industrial personal property is exempt from the 24 mills for schools, and commercial personal property is exempt from 12 mills. Inventory, special tooling, and pollution control equipment are exempt from property taxes.</p> <p>Special Tooling Property Tax Exemption - Michigan exempts special tooling from all property taxes. "Special Tooling" includes tools, dies, jigs, fixtures, and patterns that are used to manufacture a product which could not be used to manufacture another product without substantial modification to the device.</p> <p>Industrial Personal Property Tax Relief - Certain types of tangible property used by manufacturers directly in the industrial process are exempt from Michigan's sales and use tax. Eligible exempt property includes machinery, equipment and energy used in an industrial process. Industrial processing includes but is not limited to production or assembly, research & development, engineering, remanufacturing and storage of in-process materials.</p>



TAX EXEMPTIONS FOR MICHIGAN COMPANIES

Various sales and property tax exemptions in Michigan can reduce business tax liability for a variety of companies. Businesses should consider discussing the tax exemptions outlined below with their tax preparer, CPA or tax attorney.

SALES TAX EXEMPTIONS FOR INDUSTRIAL PROCESSING

Certain types of tangible property used by manufacturers directly in the industrial process are exempt from Michigan’s sales and use tax. Eligible exempt property includes machinery, equipment, and energy used in an industrial process. Industrial processing includes but is not limited to production or assembly, research & development, engineering, remanufacturing and storage of in-process materials.

SALES TAX EXEMPTION FOR ENERGY USED IN INDUSTRIAL PROCESSING

Energy used in the manufacturing process, such as natural gas, electricity, and propane, is exempt from the sales tax. Anytime a sales tax exemption is claimed for energy used directly in manufacturing, the company (buyer) must have that specific energy usage metered separately or must have a clearly drawn-up plan with the energy provider (seller) to separate the exempt versus the non-exempt energy usage. Most energy providers have staff that can assist with the specific questions regarding exemption claims for energy usage.

SALES TAX REFUND

Manufacturers that have unnecessarily paid sales tax on eligible exempt energy usage in the industrial process may request a refund through their energy provider. The look-back period for a sales tax refund is four years.

POLLUTION CONTROL TAX EXEMPTIONS

Air and industrial water pollution control facilities are exempt from sales, use and property taxes in Michigan. A facility refers to any machinery, equipment, structure, part or accessory used for the primary purpose of controlling or disposing of air or industrial water pollution. The Michigan Department of Environmental Quality (DEQ) is responsible for determining what property is eligible.

PROPERTY TAX EXEMPTION FOR SPECIAL TOOLING

Michigan exempts special tooling from all property taxes. “Special Tooling” includes tools, dies, jigs, fixtures and patterns, which are used to manufacture product which could not be used to manufacture another product without substantial modification to the device.

INVENTORY TAX EXEMPTION

In the State of Michigan, there is no inventory tax, no matter where you locate. All inventory is exempt from state and local taxes.



INCENTIVE PROGRAMS

BROWNFIELD REDEVELOPMENT AUTHORITY (PA 381)

Brownfield Redevelopment Authority (BRA) can be used to develop and implement Brownfield projects. A BRA is a resource that may use Tax Increment Financing (TIF) as a tool for property redevelopment.

COMMUNITY DEVELOPMENT BLOCK GRANT

The Community Development Block Grant (CDBG) program is a federal grant program utilizing funds received from the US Department of Housing and Urban Development (HUD). Each year, Michigan receives approximately \$30 million in federal CDBG funds, out of which various projects are funding through the state.

INDUSTRIAL PROPERTY TAX ABATEMENT (PA 198)

Industrial property tax abatements provide incentives for eligible businesses to make new investments in Michigan. These abatements encourage Michigan manufacturers to build new plants, expand existing plants or renovate aging plants. High technology operations are also eligible for the abatement.

MICHIGAN BUSINESS DEVELOPMENT PROGRAM

The Michigan Business Development Program is an incentive program available from the Michigan Strategic Fund (MSF), in cooperation with the Michigan Economic Development Corporation (MEDC). The program is designed to provide grants, loans or other economic assistance to businesses for highly competitive projects in Michigan that create jobs and/or provide investment.

MICHIGAN BUSINESS GROWTH FUND LOAN PARTICIPATION PROGRAM

The Michigan Loan Participation Program participates with lenders to finance diversification projects when faced with eligible borrower companies whose projected cash flows are considered speculative by the lender.

MICHIGAN COLLATERAL SUPPORT PROGRAM

The Michigan Collateral Support Program supplies cash collateral accounts to lending institutions to enhance the collateral coverage of borrowers. To qualify, a business must be engaged with a private lender for the purpose of acquiring a commercial extension of commercial credit and must exhibit a collateral shortfall according to the lender's analysis.

MICHIGAN COMMUNITY REVITALIZATION FUND

The Michigan Community Revitalization Program (CRProgram) is designed to promote community revitalization that will accelerate private investment in areas of historical declining values, contribute to Michigan's reinvention as a vital, job generating state, foster redevelopment of functionally obsolete or historic properties, reduce blight, and protect natural resources of this state. The program is designed to provide grants, loans, or other economic assistance for eligible investment projects in Michigan.

PERSONAL PROPERTY TAX RELIEF IN DISTRESSED COMMUNITIES (PA 328)

Personal Property Tax Relief in Distressed Communities allows distressed communities, county seats and certain border county communities to abate personal property taxes on new investments made by eligible businesses.

PURE MICHIGAN BUSINESS CONNECT

Pure Michigan Business Connect (PMBC) is a public-private initiative that introduces Michigan companies to opportunities that help them grow and expand. By participating in the program, companies receive: business assistance at little to no cost; access to a new business-to-business (B2B) network; and find new customers while also leveraging procurement resources to increase their supply chain.

SKILLED TRADES TRAINING FUND (STTF)

The STTF provides competitive awards for employer-responsive-training that enhances talent, productivity, and employment retention, while increasing the quality and competitiveness of Michigan's businesses. The STTF ensures Michigan's employers have access to the talent they need to compete and grow, and individuals have the skills they need for in-demand jobs.

SESA EXEMPTION PROGRAM

Under the State Essential Services Assessment (SESA) Exemption Program, companies may qualify for a SESA exemption or alternative SESA when investing more than \$25 million in personal property. SESA exemptions are equal to 100% of the SESA amount for a period of years. Alternative SESAs are equal to a 50% exemption for a period of years. Terms will be determined by a formal review, including: level of investment, amount of jobs created, level of wages, and connection to Michigan suppliers.

GOOD JOBS FOR MICHIGAN

The Good Jobs for Michigan legislation created new tools that encourage transformational, large-scale projects in Michigan. Through this program, the state may authorize state withholding tax capture revenues of up to 50 or 100 percent for up to five or 10 years, depending on the average annual wage and the number of certified new jobs created by the authorized business.



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