

Saginaw County Incentive Packaging

We want your business!

We want your company to relocate here. Saginaw Future Inc. and Saginaw County will work together with you to develop a package you can't refuse. Renaissance Zones, Tax Abatements, and Workforce Development are just a few of the incentives awaiting you in Saginaw County.

Renaissance Zones

The City of Saginaw has received designation for an area of 860 acres containing 10 sub-zones that are virtually TAX FREE for a period up to 12 years. Renaissance Zones waive local and state taxes such as:

- Single Business Tax (SBT)
- State Income Tax
- General Property Tax
- City Income Tax
- Industrial Facilities Tax
- Enterprise Zone Tax
- Technology Park Facilities Tax
- Commercial Forest Tax
- Neighborhood Enterprise Zone Tax
- City Utility Users Tax

Renaissance Zones are only available in the City of Saginaw.

P.A. 198 Tax Abatement - Industrial Facilities Exemption

Most municipalities in Saginaw County are very favorable to offering tax abatements on new facilities and equipment purchases by manufacturers. The P.A. 198 tax abatement program provides a 50% abatement of real and personal property for up to 12 years on new plant and/or machinery and equipment. Instead of the property tax, the firm pays an Industrial Facilities Tax (IFT) that reflects the abatement savings.

Eligible Facilities: Industrial plants who 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. High technology companies. Exemption applies to buildings, building improvements, machinery, equipment, furniture, and fixtures. Land is specifically excluded from the benefits of the act and is fully taxable.

P.A. 328 Tax Abatements

Public Act 328 allows communities to abate all new personal property taxes in certain geographic areas. Saginaw County municipalities eligible to participate include the City of Saginaw, Buena Vista Township, Carrollton Township, Spaulding Township, and Zilwaukee Township. New personal property is defined as property not previously subject to property taxes in any other jurisdiction in this state. The local community and the business negotiate the length of abatement for the new personal property tax. The law does not contain a maximum, nor a minimum number of years.

Eligible Facilities: Manufacturing, mining, research and development, wholesale and trade, and office operations. Retail businesses are not eligible.

Obsolete Property Rehabilitation Act - OPRA

The OPRA (P.A. 146) incentive essentially allows property owners that are proposing a building renovation to

Saginaw County Incentive Packaging

"freeze" a portion of their real property taxes on the current property's value for a period of up to 12 years. Only commercial property or commercial housing property is eligible and the project must be located in a qualified local governmental unit (City of Saginaw and Buena Vista Township are eligible). The process to secure this incentive includes two public hearings and two council resolutions. In order for a project to be eligible, this incentive must be secured prior to building renovation.

Community Development Block Grant (Small Cities CDBG)

- The Michigan Community Development Block Grant is available to all Saginaw County communities outside the City of Saginaw. As an entitlement community, the City of Saginaw is not eligible to receive CDBG infrastructure grants.
- However, in the past the state has offered similar infrastructure programs targeted to the City of Saginaw such as the Core Communities Initiative, Waterfront Redevelopment Grant, or Center for Michigan Renaissance Program. Grants are available for public infrastructure, including construction of water lines, sanitary sewer lines, streets, roads, bridges, utilities, and parking facilities.
- These public improvements must be directly related to the location, expansion, or retention of a specific business (es) resulting in permanent job creation. Priority is given to base manufacturing businesses.
- Generally, CDBG grants take into consideration the number of jobs that will be created with eligible grants up to \$10,000 per job committed.

Michigan Economic Growth Authority (MEGA)

Companies that are financially sound and have solid project proposals may be eligible for a refundable Michigan Economic Growth Authority (MEGA) tax credit against the Michigan Single Business Tax. Companies engaged in manufacturing, R&D, wholesale and trade, and office operations are eligible. Retail facilities are not eligible. Each credit may be awarded for up to 20 years and up to 100% of the amount of the project.

Factors governing the amount and duration of MEGA Credits:

- Creation of 75 new jobs for in-state, 150 for out-of-state, companies. The new jobs must be in addition to those existing during the year preceding application for the credit.
- MEGA tax credits must address any competitive disadvantage of expanding or locating the business in Michigan, must be necessary for the expansion/location to be made in Michigan.
- A local organization must make a financial or economic commitment to the project.
- The project cannot be announced or work started before the MEGA award.
- The average wage must equal or exceed 150% of the federal minimum wage.
- Total Capital investment of the project.
- Impact of the project on Michigan's economy.

High-Tech MEGA

High-tech companies may be eligible for tax credits against the Single Business Tax through the Michigan Economic Growth Authority. High Tech companies include businesses whose activity includes high-technology activity, and that use at least 25 percent of its total operating expenses for research and development. High-tech activity includes computing; advanced materials; biotechnology, but not cloning or stem cell research with embryonic tissue; electronic device technology; product research and development; advanced vehicle technology; and medical device technology.

Minimum eligibility for credit:

- Company must create 5 jobs initially, and 25 jobs over the five years
- Company must spend at least 25% of operating budget on research and development.

Saginaw County Incentive Packaging

- Company must have high-tech activity.
- The average wage for the jobs would have to be at least four times the federal minimum wage.

High-Wage MEGA Tax Credit

Negotiated credit against the Single Business Tax for companies conducting manufacturing, R&D, wholesale trade and paying 150 percent of the federal minimum wage.

Rural MEGA

Negotiated tax credit

Brownfield Tax Increment Financing

The Tax Increment Financing Authorities allows municipalities to develop districts with authority to capture taxes due to the increase in property values within a specific district that have resulted from project investments. The districts may be under the jurisdiction of a Downtown Development Authority (DDA), Local Development Finance Authority (LDFA), Tax Increment Finance Authority (TIFA) or Brownfield Redevelopment Authority (BRA). Under the act, the authority may use the captured taxes to pay for water and sewer, roads, environmental testing and other public investments within the development district depending on type of authority. The funds may be used for either industrial or commercial projects.

Brownfield Redevelopment (SBT Credit)

- Under the Brownfield Redevelopment program, buyers of contaminated sites can take title to environmentally impaired property without assuming liability for existing contamination, provided the buyer conducts a baseline environmental assessment (BEA) and discloses it to the state.
- Municipalities may also create a Brownfield Redevelopment Authority to capture tax revenues generated by developer's projects to pay for eligible environmental costs, due care activities, and additional response activities. The mechanism for capturing these taxes is a Brownfield Plan that is approved by both the local unit of government and the Brownfield Redevelopment Authority. In addition, a Brownfield plan may also provide a Single Business Tax (SBT) Credit equal to 10% of the costs of eligible investment (including building and equipment) on the Brownfield site up to a maximum credit of \$30 million.
- Recent legislation expanded both the eligibility and the number of incentives under this program within Core Communities, such as the City of Saginaw and Buena Vista Charter Township. In addition to contaminated sites, eligible sites now include properties declared blighted or functionally obsolete.
- Blighted property is defined as property declared a public nuisance under local housing laws, fire hazard, dangerous to persons or property, tax reverted property, and unfit for use due to destroyed or removed municipal services. Functionally obsolete property is property not useable for intended purpose due to overcapacity, changes in technology, deficiencies or super-adequacies in design.
- As Core Communities, the City of Saginaw and Buena Vista Charter Township may also approve Brownfield Plans that allow tax capture for not only environmental concerns, but also site improvement costs such as site preparation, demolition, and infrastructure improvements. In addition, Core Communities may also consider approving a tax freeze on local taxes, called the Obsolete Property Rehabilitation Exemption (OPRA) Certificate, for a period up to 12 years on existing buildings being converted to commercial or multi-family residential projects.

MBT Brownfield Tax Credit

Provides a business tax credit for the redevelopment or improvement of a contaminated, functionally obsolete, or

Saginaw County Incentive Packaging

blighted property —up to 12.5 percent of the eligible investment costs incurred to redevelop or expand the eligible property in the tax year.

MEDC Economic Development Job Training (EDJT)

This program provides training funds for businesses that promote new job opportunities, advanced training for existing employees, skilled training for new workers, and strengthen the state's economic base. Funds are released through a competitive application process. Once the company has defined its training needs, SFI will pursue training funds through the appropriate eligible entity. Eligible course categories include: applied academics, equipment specific, process improvement (ISO/QS 9000) and technical training. The recent average training grant has been \$900 per trainee. In a typical project, a provider such as Delta College Office of Corporate Services will meet with a Company to discuss their employment plans and training needs. Delta will help develop a training plan that includes cost estimates. These costs may be covered by the EDJT program, the Governor's Scholarship Fund, On-The-Job (OJT) funding or Job Training Partnership Act (JTPA) funds.

Youth Registered Apprentice Tax Credit

A tax credit of up to \$2,000 annually per apprentice is available to employers who, through registered apprenticeships, train young people under age 20 who are enrolled in high school or a GED test preparation program. Students are employed part-time with structured on-the-job training combined with classroom work. Wages are paid on a graduated scale leading to journeyman status. Continued employment with the firm is expected. An employer, employer association, or the employer and the union, if applicable, are eligible to apply. A formal agreement is made between the business or industry, the educational facility, and the U.S. Department of Labor's Bureau of Apprenticeship and Training.

Saginaw County Revolving Loan Fund

The Saginaw County Revolving Loan Fund (RLF) is available for companies making new investment and creating jobs in Saginaw County. Funds may be used for working capital or fixed assets. Eligible businesses are manufacturing companies, high tech firms, or distributors. The program is administered by Saginaw Future Inc. and all applications are reviewed by the County Revolving Loan Fund Board.

IDRB - Industrial Development Revenue Bonds

The Industrial Development Revenue Bond program is tax exempt financing for fixed asset purchases. The Saginaw County Economic Development Corporation (EDC) authorizes issuance of the bonds that are sold to single or multiple investors. The Michigan Economic Development Corporation (MEDC) also has a statewide program to issue IDRB's through the Michigan Strategic Fund. Saginaw Future Inc.'s staff can assist in pursuing these tax-exempt bonds from either source.

SBA 504 - Small Business Administration 504

A Small Business Administration loan program providing long-term fixed rate financing for the acquisition or construction of fixed assets. Projects are financed through a unique public/private partnership that involves private lenders financing 50% of project costs, MCDC (Michigan Certified Development Corporation) covering up to 40% of project costs, and small businesses investing at least 10% of project costs.

The SBA 504 Loan Program offers two loan terms, ten and twenty years, carry a fixed rate equal to a five-year treasury bond plus 1.75%, and a twenty-year loan carries an interest rate equal to a ten-year treasury bond plus 2.1%. The SBA 504 Loan Program is primarily designed to assist healthy, expanding businesses that have been in

Saginaw County Incentive Packaging

operation for two years or more.

SBA 7(a) - Small Business Administration 7(a) Guaranteed Loan

The SBA 7(a) assists small businesses in obtaining a loan guarantee to enhance conventional financing. When conventional sources have been exhausted, small profit-making businesses that operate in retail, construction, wholesale, manufacturing and other services may apply for SBA 7(a) assistance.

Businesses apply for SBA 7(a) guarantee through a bank that submits the application to the SBA's Michigan office. The SBA 7(a) provides working capital for the acquisition of inventory, financing receivables, and diminishing debts. Along with working capital, the SBA 7(a) covers fixed assets.

Energy Efficiency Grants

Funds for the implementation of energy efficiency projects using photovoltaics and other technologies available to businesses and public agencies from the Michigan Public Service Commission.

Michigan Renewable Energy Portfolio Standard (RPS)

Mandates that 10 percent of the State of Michigan's energy come from renewable sources by 2015

Electricity Legislation

Regulatory reform was enacted that protects Michigan ratepayers and allows utility companies to build new electricity generation in Michigan, and a requirement that utilities meet an additional 5.5 percent of Michigan's annual electricity demands through energy efficiency by 2015.

Income Tax Credit and Net Metering

An income tax credit has been enacted to offset a portion of ratepayers' investments in renewable energy for Michigan and a "net metering" law that allows customers to sell renewable electricity they produce at their homes or businesses to their utility companies.

Renewable Energy Renaissance Zones

MBT, State Education Tax, personal and real property taxes, and local income tax are reduced or eliminated by locating in a Renewable Energy Renaissance Zone.

NextEnergy Incentives

Potential for additional tax incentives and abatements.

Solar Anchor District MBT Credit

Allows qualified anchor companies to claim a refundable credit against the MBT when they convince qualified suppliers and customers to open, locate or expand near their facility.

Solar Anchor Jobs MBT Credit

Allows designated high-technology Anchor Companies to earn a MBT credit based on the jobs created by qualified customers or suppliers that locate in Michigan as a result of the Anchor Company.

Photovoltaic MBT Tax Credit

Provides a refundable MBT credit to businesses that invest in facilities that develop and manufacture photovoltaic technologies.

Saginaw County Incentive Packaging

Centers of Energy Excellence Program: Provides grants to for-profit companies to promote the development, acceleration and sustainability of solar energy excellence in Michigan. Funds can be used for: foundation funding match, federal funding or international investments up to 50 percent of the total project cost and acceleration of innovative energy technologies or processes.

Investment Tax and Compensation Credits

Businesses are allowed to claim an Investment Tax Credit of 2.9 percent for the cost of new capital assets located in Michigan. A Compensation Credit can also be claimed that would equal 0.37 percent of compensation paid in Michigan.

Industrial Personal Property Tax Relief

Exempts manufacturers from paying state education tax and local school property tax on industrial personal property.

Personal Property Tax Credit

A 35 percent refundable credit for taxes paid on industrial personal property.

Research and Development Credit

A general credit of 1.9 percent for R&D activity in Michigan.

Inventory Tax

No inventory tax in Michigan.

Sales Tax Exemption

Purchases of manufacturing machinery, equipment and qualified pollution control equipment are exempt from Michigan's 6 percent sales tax.

Michigan's Solar Tax Abatement Programs

- Public Act 198 of 1974: A tax abatement district where solar companies can be exempted from some real and personal property taxes for up to 12 years.
- Public Act 328 of 1998: A tax abatement that exempts personal property taxes for solar companies on new investments in core communities.

We are here to help!

Saginaw Future is prepared to develop a customized incentive package to meet your company's specific needs. Please contact us at info@SaginawFuture.com for assistance.

Established in 1992, **Saginaw Future** (SF) is a public-private alliance of local businesses, the County of Saginaw, City of Saginaw, 16 local municipalities and the Saginaw County Chamber of Commerce. SF's strategic partners also include education, labor and government. Since its beginning, SF has remained dedicated to fostering quality job creation through expansion of local industry and attraction of new business projects to the community.