

Miller Canfield Reminds Companies of Michigan's Tax Incentives to Help Attract, Retain Business

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Companies contemplating expansion, or renovation will soon have new reasons to give Michigan a serious look, says the law firm of Miller, Canfield, Paddock and Stone, P.L.C. Governor Granholm has made job growth a priority, and the state is putting together a new package of incentives designed to attract business development – especially high-tech and manufacturing. As heard at last week's Mackinac Policy Conference, economic revival is needed, along with new ways to attract new business investment. While we await these new enticements, Miller Canfield reminds companies of Michigan's current perks.

Michigan Economic Growth Authority (MEGA) – Revisions to MEGA have extended benefits to even more types of companies. Those engaged in manufacturing, research and development, wholesale and trade, or office operations may be eligible to receive a 20-year refundable tax credit against the Michigan Single Business Tax (SBT) when they add at least 75 jobs paying 150% of minimum wage or more and make certain capital investments. The exact amount of SBT tax credits is dependent upon several factors including the economic impact on Michigan, size of the capital investment, and the amount of personal income produced by the jobs created.

"A recent decision by the Sixth Circuit Court has put companies presently receiving MEGA tax credits or other tax incentives offered by the state in a wait-and-see mode," said Ronald E. Hodess, attorney and Real Estate Practice Group leader at Miller Canfield. "In *Cuno v DaimlerChrysler, Inc.*, the Court struck down an Ohio tax credit, holding that the incentive was really a form of economic protectionism that discriminates against companies not doing business in the state. While the ruling allows the state to offer business subsidies, it did not clearly define the difference between tax credits and subsidies. The Supreme Court is expected to review the decision."

Industrial Facilities Tax Exemption (IFT) – Industrial companies, research and development laboratories, or office operations considering renovating or expanding their present facilities may qualify for this exemption, which forgives real estate and property taxes for up to 12 years and replaces them with a low-rate IFT. The IFT ignores any value added to facility renovations and, in essence, cuts by half the amount the facility would otherwise pay in real property tax.

"Under certain conditions, it's also possible to exempt a facility from the State Education Tax," said Hodess.

Tax-exempt Industrial Development Revenue Bonds – Financing for large projects that involve land purchase, building, equipment acquisition, or infrastructure development may be available through these bonds, which – because their interest is exempt from federal (and sometimes state) tax – reduce the cost of borrowing 10 to 20 percent below prime rate.

Tax-free Renaissance Zones – Intended to spur development in depressed areas, these zones exempt businesses from Michigan's SBT, personal income tax, education tax, personal property tax, real property tax, and the cost of utility taxes.

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Brownfield Credits – Companies willing to invest or locate in areas classified as functionally obsolete, blighted, or contaminated with hazardous waste are eligible for brownfield credits. The program offers SBT credit for a percentage of the cost incurred in demolition, restoration, improvement, construction, and the acquisition of equipment. Some contaminated properties also qualify for Tax Increment Financing.

Hodess notes, “Other incentives – including community development block grants, tax credits for hiring youth, and tax abatement for certain geographic areas – add to Michigan’s business lure, and should be checked out.”

The 340-attorney law firm of Miller, Canfield, Paddock and Stone, P.L.C. was established in Detroit in 1852 and has offices in Ann Arbor, Detroit, Grand Rapids, Howell, Kalamazoo, Lansing, Monroe, and Troy, Michigan. Other offices are located in New York City, Pensacola, Florida, Washington, D.C., Windsor, Ontario, and in Gdynia, Katowice, and Warsaw, Poland.