

Tool & Die Recovery Zones

Michigan Renaissance Zone Program

The Michigan Renaissance Zone Act, P.A. 376 of 1996 (MCL 125.2688) was amended to allow the Michigan Strategic Fund (MSF) Board to designate up to 25 tool and die renaissance recovery zones (“Recovery Zone”).

To qualify for a Recovery Zone designation and receive the benefits under this section of the Renaissance Zone Program, businesses must:

- Obtain an authorizing resolution of support from the local governmental unit where the respective company’s parcel of property is located that consents to the creation of a Recovery Zone within their boundaries. The resolution must include the number of years that the city, township, or village is willing to forego taxes;
- Lease or own the parcel of property that is to be included in the proposed Recovery Zone;
- Use the property primarily for tool and die business operations: 75% or more of the gross revenue generated from tool and die operations that take place on the business property at the time of designation;
- Have fewer than 75 full-time employees;
- Be classified as one of the following North American Industrial Classification System (NAICS) codes:
 - 333511 Industrial Mold Manufacturing
 - 333512 Machine Tool (Metal Cutting Types) Manufacturing
 - 333513 Machine Tool (Metal Forming Types) Manufacturing
 - 333514 Special Die and Tool, Die Set, Jig, and Fixture Manufacturing
 - 333515 Cutting Tool and Machine Tool Accessory Manufacturing
 - 332997 Industrial Pattern Manufacturing
- Participate in a written collaborative agreement with other tool and die businesses;
- Have a collaborative agreement that demonstrates synergistic opportunities among the companies and must include, but is not limited to, all of the following elements:
 1. Sales and marketing efforts
 2. Development of standardized processes
 3. Development of tooling standards
 4. Standardized project management methods
 5. Improved ability for specialized or small niche shops to develop expertise and compete successfully on larger programs.

The agreement must demonstrate that it will provide its participants enhanced economic effectiveness with respect to each of the elements included in the collaborative agreement.

(MORE)

TOOL & DIE RECOVERY ZONES MICHIGAN RENAISSANCE ZONE PROGRAM CONTINUED

There are two ways to make application for a Recovery Zone:

- 1) A company can join with other companies to submit an application for a new Recovery Zone. There must be a minimum of 4 companies participating in a collaborative agreement. The maximum number of companies participating in a collaborative is 20. The deadline date to submit applications for the next round will be Monday, September 15, 2008.
- 2) A collaborative that is an existing Tool & Die Recovery Zone can submit an application on behalf of a company and request the company be allowed to join their Tool & Die Recovery Zone. All collaborative agreement participants must sign a statement consenting to the participation of the new company in the collaborative and Recovery Zone. The group must also explain the reasons why they are allowing a company to join and how the company will add value to the collaborative. Note: The company still must meet all the requirements in the law. In addition, the company would have a limited duration time. If it joins a Rnd 1 collaborative that began in 2005, it could not go beyond 2019; if it joins a Rnd 2 collaborative that began in 2006, it could not go beyond 2020; if it joins a Rnd 3 collaborative that began in 2007, it could not go beyond 2021; and if it joins a Rnd 4 collaborative that began in 2008, it could not go beyond 2022. The local governmental unit where the parcel of property is located can elect to award less than the full number of years available with a minimum requirement of 5 years due to the 3 year phase-out in 25% increments. There is no deadline date for a company being allowed to join an existing collaborative. Applications will be accepted on an ongoing basis. Recovery Zone designation becomes effective the year after designation. A list of Recovery Zones and contacts are on the MEDC web site.

Taxes that companies located in a recovery zone do not pay: Michigan Business Tax (MBT), state education tax, personal and real property taxes, and local income tax where applicable. Taxes still due are those mandated by the federal government, local bond obligations, school sinking fund or special assessments. Companies are not exempt from paying Michigan sales tax. Companies must be current with all state and local taxes in order to be eligible for benefits under the program.

The State of Michigan reimburses intermediate school districts, local school districts, community college districts and public libraries where taxes are abated. The State of Michigan does not replace the tax revenue lost to the local unit of government or other taxing jurisdictions except those listed in the preceding sentence.

Companies must still file annual Michigan Business Tax returns and city income tax returns if applicable. Companies must still file an annual Personal Property Statement. Failure to submit these tax forms will result in delinquency and a business can be denied benefits of the program for failing to file the proper annual tax forms.

Taxes can be abated up to 15 years. In all cases, the tax relief will be phased out in 25% increments over the last three years of the zone designation.

For answers to questions regarding NAICS codes, visit:
<http://www.census.gov/epcd/www/drnaics.htm>

For more information, call the Michigan Economic Development Corporation Customer Assistance at 517.373.9808.