

Many Cities Offer Tax Abatements

By Joseph Couvreur

There are cities within the southern Wayne County region which are able to provide tax incentives to certain business owners to facilitate the expansion of existing operations or to bring new business into the area. A municipality is governed by state law and the Constitution with respect to taxation. The state legislature has created tax incentives to encourage the development of new businesses and the expansion or renovation of existing manufacturing plants and certain buildings. A municipality which is authorized to provide a tax incentive is not mandated to grant a tax incentive. However, in order to encourage business development, some municipalities will work with businesses to assist a business in order to assist existing businesses seeking to expand and attract new businesses. I have worked with the Cities of Melvindale and Riverview in providing tax incentives to property owners as an attorney with the law firm which represents those cities. I have also worked with the Cities of Wyandotte and Taylor. These communities will work with businesses to consider options available to a business owner. These are not the only communities in the area who are authorized to offer incentives. Business owners, developers and realtors should always consult with municipalities to determine what incentives are available prior to choosing a location for a business development.

The type of tax incentive available will be dependent upon the nature of the business and the improvements intended. Two types of tax abatements are known as an obsolete facility replacement or restoration and a new plant or facility. Where a qualified obsolete plant or building is replaced or restored and a tax abatement is granted, the taxes are calculated based upon an assessed value equal to the value of the property prior to the improvements. The result of this type of tax abatement is that there is a 100% exemption from property taxes on the value of the improvements for the term of years which the tax abatement is granted for. Where a new plant is built, the tax on the new plant or new machinery and equipment is computed based upon ½ the local property tax mileage rate plus the six mill state wide exemption taxes. This results in property taxes being reduced by approximately 50 % on new construction, machinery and equipment.

It is imperative that efforts to obtain a tax abatement be sought early in the planning process. Once improvements are made, the ability to obtain a tax abatement may no longer exist. When meeting with governmental officials, it is important to provide extensive details with respect to your business and the proposed improvements. The more information provided to a municipality will enable the business owner and the municipality to minimize unforeseen issues. It is also advisable to review the Treasury Department link within the Michigan State website which contains tax abatement information at <http://www.michigan.gov/treasury>. The Cities of Melvindale, Riverview, Wyandotte and Taylor are able to offer such incentives. As stated above, the author has dealt with these communities. The contact for the City of Melvindale is Mark Kibby, the City Administrator and the EDC Director at (313) 429-1059. The contact for the City of Riverview is Gerald Couch, Director of Community Development (734) 281-4248. The contact at the City of Taylor is Fred Zorn, Director of Community Development at (734) 374-2720 and Joseph Voszatka, Director of City of Wyandotte Community Development at (734) 324-4541.