

## 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 an additional 10 recovery zones for a total of up to 35 tool and die renaissance recovery zones (“Recovery Zone”). A Recovery Zone shall have a duration of a renaissance zone status for a period of not less than five years and not more than 15 years as determined by the board of the Michigan Strategic Fund.

To receive consideration for a Recovery Zone designation, businesses must meet the following requirements:

- 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; *or*
- Companies with 75 or more full-time employees are required to enter into a written agreement with the MSF and local unit of government where parcel is located;
- 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.
  6. Strategic focus to any of the following target industries:
    - Medical Devices**
      - Collaborators will be focused on making and improving parts and machining required for medical devices.
      - Collaborators will provide a clear plan of particular focus within medical devices.
      - Qualifying plans must already be established or the collaborators must demonstrate how working together can improve their qualifying systems and part making as a whole to land business together and individually.
    - Alternative Energy Technologies**
      - Collaborators must show their focus on offering new parts to primes and Tier 1 and Tier 2 suppliers, as well as potentially offering machinery design and build.
      - Collaborators must demonstrate how working together will show improved ways of designing machinery and parts for growing alternative energy markets and offer this improved design as a value proposition in competing for contracts.
    - Defense/Homeland Security**
      - Collaborators must have CAGE codes and exhibit a level of knowledge and success in previous government bids.

- Collaborators must be able to demonstrate that by working on bids together, there is a higher likelihood of landing contracts of higher total value than companies bidding on their own.

#### **Electrified Vehicles**

- Collaborators will be focused on developing and manufacturing materials and components to be used in electrified vehicles and/or energy storage systems for the power grid.
- Collaborators must demonstrate that there will be efficiency and increased success by collaborating in order to land new business and develop a supply chain centered in Michigan.
- Collaborators must be able to exhibit some level of knowledge in competing for business within the electrified vehicle or grid storage spaces.

#### **Commercial Aerospace**

- Collaborators must be focused on offering new and replacement parts to primes and Tier 1 and Tier 2 suppliers.
- Collaborators must have or be currently working towards AS9100 certification.
- Collaborators must demonstrate that there will be efficiency and increased success in common marketing and sales outreach to primes and Tier 1 and Tier 2 suppliers through this collaboration.

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.

To apply for consideration for a new Tool and Die Recovery Zone designation, there is an annual competitive process. The deadline date to submit applications is September 21, 2009. There must be a minimum of four companies participating in a collaborative agreement. The maximum number of companies participating in a collaborative is 20.

For companies being allowed to join an existing Recovery Zone, a separate application for this situation must be submitted by the Recovery Zone on behalf of

the company joining. A company being allowed to join still must meet all the requirements in the law and all collaborative members must consent to a new company becoming a member. Applications for this circumstance will be accepted on an ongoing basis until October 2009. Recovery Zone designation would become effective the year after designation. The company would have a limited duration time that could not exceed the Recovery Zone's original maximum allowable 15 year duration. A list of Recovery Zone contact individuals is on the Michigan Economic Development Corporation<sup>SM</sup> (MEDC) web site.

Companies must be current with all state and local taxes in order to be eligible for benefits under the program.

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.

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 (MBT) 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 the U.S. Census web site: [www.census.gov/eos/www/naics/faqs/faqs.html](http://www.census.gov/eos/www/naics/faqs/faqs.html).

For more information, contact the MEDC Customer Assistance Center at 517.373.9808.