

ADDING YEARS to a Recovery Zone & how 3 year phase-out is affected

(Below Q&A cut and pasted from FAQs)

Q. Can the community enter into an agreement in 5-year increments and after 5 years, if the agreement is a success, enter into another 5 more years?*

A. Yes. The Act permits the Michigan Strategic Fund, with the consent of the city, village or township in which the business is located to “extend the duration of renaissance zone status for the recovery zone for 1 or more periods that when combined do not exceed 15 years.”

Q. What does a company need to do to extend the duration?

A. The company must obtain a new resolution from the local unit of local government requesting a specific number of years to be added to their existing Recovery Zone.

Q. How would this affect the phase-out period?

A. Under the Act, there is a 25% phase-out period during the last three years of Recovery Zone designation. In the absence of any action taken before the phase-out begins, the company is obligated to pay the taxes in accordance with the Act. However, if the local government acts and approves an extension of the Recovery Zone, it suspends the phase-out. If the Michigan Strategic Fund approves extending the duration of a Recovery Zone, this becomes effective on January 1 of the year following the MSF Board’s approval of the extension. Note: If the phase-out has already begun, the company cannot retroactively extend the duration of the zone or obtain a refund on the theory it was erroneously taxed.

**The following information is not in the FAQs but added here for clarification. The example given in the FAQs only refers to extending the time duration in 5 year increments. In fact, a company could have 3, 4, 6, etc. years added, via resolution, as long as the time period does not exceed 15 years. Recovery Zone designations have various ranges at the original time of designation (such as 5, 7, 8, 10 & 12 years).*