ECONOMIC DEVELOPMENT INCENTIVES

OF THE FIFTY STATES

State Tax, Workforce Development and Financial Incentives

Mountain Region:

Compiled by the New Mexico Economic Development Department

New Mexico State Data Center: www.nmstatedatacenter.com

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ARIZONA

Tax Incentives

INVEST ARIZONA

Invest Arizona provides specific tax incentives to encourage the creation of quality jobs (with healthcare coverage) and encourage capital investment in the state. It consists of two parts:

1. Non-refundable tax credit for quality job creation
2. Temporary reduction of real and personal property taxes on new capital investment

An existing business expanding in Arizona or a new business investing in Arizona that meets all of the following requirements will be eligible for incentives under the Invest Arizona program:

- A non-retail business (no more than 10% of total activity involves the sale of tangible personal property)
- The company's average wage is at least the county median wage
- Create a minimum amount of qualified net new full-time jobs:

	Urban	**Rural**
Definition	Cities with a population greater than 50,000 which are also located in a county with a population of 800,000 persons or more	Any city that does not fit urban definition
Existing or New Businesses in Arizona	Minimum 25 qualified net new jobs	Minimum 5 qualified net new jobs

Qualified net new jobs are those which:

- Are new full-time jobs (at least 1,750 hours per year) which are in excess of the company's average employee count for the past three years, and
- Pay at least the county median wage and offers coverage for at least 65% of the employee's health care premiums

A consenting resolution from the local government in which the business is locating or expanding must be obtained for the business to be eligible for the property tax reduction incentive.

1. <u>New Jobs Tax Credit</u>

An existing business expanding in Arizona or a new business investing in Arizona that qualifies may be eligible for a non-refundable tax credit for each qualified job created. Each qualified job created is eligible for a tax credit of $3,000 per year for three years ($9,000 total).

2. New Investment Incentive

An existing business or new business to Arizona making investment in the state may have their real and personal property reclassified at the Class 6 assessment rate of 5% (effectively reducing property tax by 75%), provided they meet the following requirements:

- New business in the state making minimum net new capital investments and creating net new jobs
- Job creation minimums must be met before receiving benefit
- Capital investment minimum can be met over the first three years of receiving this incentive

(See definitions and thresholds above)

After the 10 year period, the parcel that was reclassified under this program is ineligible from any future reclassification.

High-Impact Investment Incentive

An existing or new business making new investments in the state in excess of $250 million and creating at least 150 net new jobs may have their real property, improvements on fixed assets and/or personal property reclassified at the Class 9 assessment rate of 1% (effectively reducing property tax by approximately 95%) for a period of up to 15 years. After the 15 year period, the parcel that was reclassified under this program is ineligible from any future reclassification.

Additional Tax Incentives

Angel Investment Tax Credit

This program offers an income tax credit to "qualified investors" who invest in early-stage "qualified small businesses" (the business must have no more than $10 million in total assets). The income tax credit is equal to 30% of the investment amount, increasing to 35% for investments in "biosciences enterprises" and in companies located in rural Arizona.

Capital Gains Tax Incentive

Investors pay no capital gains tax on income derived from investments in qualified small businesses that have been certified by the Arizona Commerce Authority.

Commercial/Industrial Solar Tax Credit

This credit if offered to businesses that install one or more solar energy devices in their Arizona facilities. The tax credit is equal to 10% of the installed cost of the solar energy device not to exceed $25,000 in credits for one building in a single tax year and $50,000 total credits per business per tax year. Any unused amounts can be carried forward for a five-year period. The program is capped at $1 million in any calendar year

Health Insurance Premium

A tax credit is available to a health care insurer for insuring individuals and small businesses who were not previously covered by health insurance. The amount of the tax credit ($1,000 for single coverage and $3,000 for family coverage or 50% of the annual health insurance premium, whichever is less) is passed on to the individual or small business in the form of reduced premiums.

Pollution Control Tax Credit

Provides a nonrefundable personal or corporate income tax credit of 10% on the purchase price of real or personal property used to control or prevent pollution. The credit may not exceed $500,000 in a taxable year.

Quality Jobs Tax Credit

The program provides Arizona income tax credits for companies creating new jobs and investing in Arizona. The credit is valued at up to $9,000 over a 3-year period per each new employee and offers a 5-year carry forward provision for any unused tax credits. Eligibility qualifications are different for rural and metro areas:

Area Definition	**Minimum Job Creation**	**Minimum Capital Investment**	**Qualified Job**
Metro Area – counties with a population of 800,000 or more, excluding municipalities of 50,000 or less	25	$5 Million	Is a net new full-time and permanent position that pays 100% of median county wage and the company offers to pay 65% of health insurance costs of the employee
Rural Area – counties with a population of less than 800,000 and municipalities of less than 50,000 within counties of more than 800,000	5	$1 Million	Is a net new full-time and permanent position that pays 100% of median county wage and the company offers to pay 65% of health insurance costs of the employee

The Quality Jobs Program is capped at 10,000 jobs claimed each year by all participants; whereas a taxpayer is limited to a maximum of 400 new jobs per year.

Renewable Energy Production Tax Credit

An income tax credit awarded to utility-scale generation systems based on the amount of electricity produced annually for a 10-year period using solar or wind energy.

The amount of the credit is:
1. One cent per kilowatt-hour of the first two hundred thousand megawatt-hours of electricity produced by a qualified energy generator in the calendar year using a wind or biomass derived qualified energy resource.
2. The following amounts for electricity produced by a qualified energy generator using a solar light derived or solar heat derived qualified energy resource:

> (a) Four cents per kilowatt-hour in the first calendar year in which the qualified energy generator produces electricity.
> (b) Four cents per kilowatt-hour in the second calendar year in which the qualified energy generator produces electricity.
> (c) Three and one-half cents per kilowatt-hour in the third calendar year in which the qualified energy generator produces electricity.
> (d) Three and one-half cents per kilowatt-hour in the fourth calendar year in which the qualified energy generator produces electricity.
> (e) Three cents per kilowatt-hour in the fifth calendar year in which the qualified energy generator produces electricity.
> (f) Three cents per kilowatt-hour in the sixth calendar year in which the qualified energy generator produces electricity.
> (g) Two cents per kilowatt-hour in the seventh calendar year in which the qualified energy generator produces electricity.
> (h) Two cents per kilowatt-hour in the eighth calendar year in which the qualified energy generator produces electricity.
> (i) One and one-half cents per kilowatt-hour in the ninth calendar year in which the qualified energy generator produces electricity.
> (j) One cent per kilowatt-hour in the tenth calendar year in which the qualified energy generator produces electricity.

Renewable Energy Tax Credit

This credit is offered to companies in the solar, water, wind, geothermal, biomass, biogas, landfill gas and other nonfossil renewable energy industries who are expanding or locating in Arizona. Businesses making new qualifying investments in manufacturing and/or headquarter operations in Arizona in renewable energy industries are eligible for a tax credit if they meet the following requirements:

- At least 51% of the new full-time employment positions at the facility are paid a wage that is 125% or more than the state's annual median wage.
- The company pays 80% of the employee's health insurance costs for all net new full-time employment positions at the facility.

Qualifying applicants may receive up to a 10% refundable income tax credit on the company's total qualifying investment for projects when the following employment requirements are met:

- For renewable energy manufacturing operations: at least one and on-half new full-time employment positions created for each $500,000 of capital investment (1.5 FTE/$500,000)
- For renewable energy business headquarters: at least one new full-time employment position created for each $200,000 increment of capital investment (1 new FTE/$200,000)

The amount of the tax credit program is capped at $70 million per year for five years beginning January 1, 2010. Applications are processed on a first come, first served basis. Once the project is operational the tax credits must be claimed over a five year period. The company must operate in Arizona for a minimum of 5 years after receiving approval. An applicant may separately apply and qualify for facilities in separate locations and for separate expansions of a facility.

Renewable Energy Real and Personal Property Tax Reduction

All real and personal property can be reclassified to class 6 property effectively constituting a 75% savings in property taxes. Businesses making new qualifying investment of $25 million or more in manufacturing and/or headquarter operations in Arizona in renewable energy industries are eligible for:

- 10 years of property tax savings, if the company pays at least 51% of the net new full-time employment positions between 125% and 199% of the annual median wage.
- 15 years of property tax savings, if the company pays at least 51% of the net new full-time employment positions at least 200% of the annual median wage.

There is no limitation on the amount of property tax savings available to a qualified business. Nor is there a limit on the total amount of property tax savings available in any calendar year under this program. Property tax benefits cannot be claimed until the project is operational. The property must be primarily dedicated to renewable energy manufacturing and/or headquarter operations. The company must operate in Arizona for a minimum of 5 years after receiving approval. An applicant may separately apply and qualify for facilities in separate locations and for separate expansions of a facility.

Research and Development Tax Credit

Arizona provides a tax credit for investments in research and development in excess of expenditures from the previous year for companies that employ less than 150 FTEs as of December 31st of the taxable year. The program provides a state tax credit of 24% of the first $2.5 million in qualifying expenses plus 15% of the qualifying expenses in excess of $2.5 million. For 2018 and thereafter, the tax credit rates will return to 20% of the first $2.5 million in qualifying expenses plus 11% of the qualifying expenses in excess of $2.5 million. Beginning in 2011 an additional credit amount is allowed if the taxpayer made basic research payments during the tax year to an Arizona state university, the additional credit amount is equal to 10% of the basic research payments that constitute excess expenses for the tax year over the base amount. A partial refund of the tax credit is permitted under qualifying circumstances.

Solar Energy Tax Credit

Individuals and corporations that install qualified “solar energy devices” may receive a credit of 10% of the installed cost of the device taken against their income tax.

Solar Liquid Fuel Tax Credit (R & D, Production and Delivery Systems)

Income tax credits are available for research and development, production and delivery system costs associated with solar liquid fuel.

Workforce Development

Arizona Job Training Program

This program is funded by the Arizona business community. Employers pay an amount equal to one-tenth of one percent on the first $7,000 of an employee’s wages or $7 per year, whichever is lower.

The Arizona Job Training Program is a job-specific reimbursable grant program that supports the design and delivery of customized training plans for employers creating new jobs or increasing the skill and wage levels of current employees. Once awarded, an employer may apply for a new grant for additional job-specific training.

- Under a "Net New Grant" an employer creating new jobs can apply for a grant to receive up to 75% of their eligible training expenses reimbursed.
- Under the “Incumbent Grant” an employer seeking to supplement their current training plan and increase the skill level of their employees may apply for a grant to receive up to 50% of their eligible training expenses reimbursed.
- A single employer can currently receive up to $1.5 million.
- Award amounts range from $2,000 to $5,000 per position for urban employers with 100 or more employees.
- Award amounts range from $5,000 to $8,000 per position for rural or small.

Qualifying Businesses

- Must have at least one business location in this state
- Pay into the Arizona Job Training Fund, unless exempt, or
- Meet or exceed the average annual qualifying wage rate for trainees at the end of the grant.

Eligible costs for reimbursement include course design and development; instruction costs for job-specific training; training materials and supplies; training facility rental; and travel costs (subject to limitation). Eligible costs for match only include equipment and machinery, prorated value used toward training; employer training space, pro-rated; trainee wages, excluding fringe benefits, paid by a small or rural business during training; and related training that is not job specific, including time, stress or life management training classes.

Financial Assistance

Arizona Competes Fund

This $25 million “Deal Closing Fund” is available to companies who achieve certain performance measures, average employees’ wages above the county’s average wage, and other requirements similar to the existing Job Training program. An economic impact analysis by an independent third party is conducted on all projects to determine potential return on investment benefits to the state. All funds will be awarded with contractual provisions for performance and “clawback” of funds for non-performing projects.

Source: http://azcommerce.com

COLORADO

Tax Incentives

Enterprise Zone Program

This program encourages job creation and capital investment in economically distressed areas by providing tax credits to businesses and Enterprise Zone projects to promote and encourage economic development. The following tax credits apply only to businesses that choose to locate in a designated Enterprise Zone:

Investment Tax Credit

Businesses making investments in equipment used exclusively in an enterprise zone which would have qualified for the pre-1986 federal investment tax credit may claim a credit against their Colorado income taxes equal to 3% of the amount of the investment, subject to limitations on this amount which can be claimed in any one year. Investment which results from an in-state relocation is not eligible for the credit unless the new location qualifies as an expansion. Excess credits may be carried back three years and forward 12.

Job Training Tax Credit

Employers who carry out a qualified job training program for their enterprise zone employees may claim an income tax credit of 10% of their eligible training costs.

New Business Facility Jobs Credit

Businesses hiring new employees in connection with a "new business facility" located in an enterprise zone may claim a tax credit against state income taxes of $500 for each such employee. An expansion of an existing facility may be considered a "new business facility" if the expansion adds at least 10 employees or a 10% increase over the previous annual average, if it is at least $1 million in investment, or, if less, at least doubles the original investment in the facility. The credit may be taken in subsequent years of the enterprise zone for each additional employee above the maximum number employed in any prior tax year. Excess credits may be carried forward five years. This tax credit offers an additional credit of $2,000 per new job for new facilities located in a designated Enhanced Rural Enterprise Zone.

New Business Facility Agricultural Processing Jobs Credit

An additional credit of $500 per new business facility employee may be claimed by businesses which add value to agricultural commodities through manufacturing or processing. Businesses that qualify for this credit can also take the New Business Facility Jobs Credit.

New Business Facility Health Insurance Credit

In order to encourage employer-sponsored health insurance plans, a taxpayer with a qualifying new business facility is allowed a two-year $200 tax credit for each new business facility employee who is insured under a qualifying employer-sponsored health insurance program.

R & D Increase Tax Credit

Taxpayers who make private expenditures on research and experimental activities (as defined in federal tax law) conducted in an enterprise zone qualify for an income tax credit. This credit equals 3% of the amount of the increase in the taxpayer's R & D expenditures within the zone for the current tax year above the average of R & D expenditures within the zone area in the previous two years. No more than one-fourth of the allowable credit may be taken in any one tax year.

Vacant Building Rehabilitation Tax Credit

Owners or tenants of commercial buildings in an enterprise zone which are at least 20 years old and which have been vacant for at least 2 years may claim a credit of 25% of the cost of rehabilitating each building. The credit is limited to $50,000.

Commercial Vehicle Investment Tax Credit

A taxpayer who makes an investment in a qualifying commercial vehicle on or after July 1, 2011, may submit an application to the Economic Development Commission (EDC) for their consideration to receive a tax credit in an amount of 1.5% of the investment. The commercial vehicle must remain predominantly housed and based in the Enterprise Zone for 12 months.

Contribution Tax Credit

A taxpayer who makes a contribution to certain eligible Enterprise Zone economic development projects including business assistance, job training, economic development marketing, community development and homeless organizations in zones may claim a tax credit. To be eligible, a proposed project must be approved by the local Enterprise Zone administrator and approved by the Colorado EDC. The amount of the credit is 25% of the value of the contribution, up to $100,000 in tax credits (12.5% for in-kind contributions up to $50,000 in credit).

Local Government Incentives in an Enterprise Zone

Any city, county or special district within an Enterprise Zone is authorized to negotiate with individual taxpayers who have qualifying new business facilities:

- An incentive payment or property tax credit equal to and not more than the amount of the increase in property tax liability over pre-Enterprise Zone levels; and
- A refund of local sales taxes on purchases of equipment, machinery, machine tools, or supplies used in the taxpayer's business in the Enterprise Zone.

END OF ENTERPRISE ZONE INCENTIVES

Aircraft Manufacturer New Employee Credit

Aircraft manufacturers located in a Colorado aviation department zone may qualify for a state income tax credit of $1,200 per new employee. An aviation manufacturer is defined as a business involved in the production of aircraft parts specifically used in the manufacture of aircraft or a business involved in the development of a proof of concept or prototype aircraft, a test and evaluation aircraft, a certification aircraft, or a production aircraft. An "aviation development zone" is any airport in Colorado that is a public-use facility designated by the FAA in its latest National Plan of Integrated Airport Systems, which has registered with the Colorado Office of Economic Development & International Trade.

A business or portion of a business involved in the maintenance of aircraft is not eligible. If a facility performs both manufacturing and maintenance functions, only employees working exclusively in the manufacturing portion of the business may qualify for the credit.

The credit applies to full-time employees (working at least 35 hours per week). The number of aviation zone employees at an aircraft manufacturer's facility during a year is calculated as the average of the number of employees at the facility on the last business day of each month during the tax year. The facility must employ 10 or more employees. The credit is $1,200 times the increase in the average number of aviation zone employees for the tax year over the previous base number of employees at that facility.

Biotechnology Sales and Use Tax Refund

Eligible biotechnology businesses may recover the sales and use taxes paid in the preceding year on equipment and supplies purchased to conduct biotechnology research and development. This includes property such as microscopes, chemical reagents, and software.

Requirements for the Refund:

- The refund applies to Colorado's 2.9% state sales or use taxes.
- The tax was paid within the eligible calendar year. The refund for biotechnology is not an exclusion or exemption from sales or use taxes. To take advantage of the refund, the taxpayer first must pay any sales or use taxes owed, then seek a refund.
- The tax was paid by a qualified taxpayer.
- The tax was paid in the calendar year immediately preceding the brief mandated filing period (the period eligible for the refund).
- The tax was paid for the sale, storage, use, or consumption of (a) tangible personal property (b) for use in Colorado; and
- The tangible property was directly and predominately used in (a) research and development (as defined in the federal tax code) (b) of biotechnology.

The refund provision defines "biotechnology" as the application of technologies to: (1) produce or modify products; (2) develop microorganisms for specific uses; (3) identify targets for small pharmaceutical development; or (4) transform biological systems into useful processes or products. The potential endpoint of the products, processes, microorganisms, or targets that result from the research and development is the improvement of human or animal health care.

Job Growth Incentive Tax Credit

This incentive provides a state income tax credit to businesses undertaking job creation projects that would not occur in Colorado without this program and that have met certain requirements under the EDC's Job Growth Incentive Tax Credit Program. A business may not start the proposed project in Colorado until a final application has been submitted to the EDC and approved.

Businesses have to create at least 20 new jobs (full-time equivalents) in Colorado during the credit period (defined as 60 consecutive months where the business may qualify for an annual tax credit) with an average yearly wage of at least 110% of the county average wage rate based on where the business is located. An exception is made for a business located in an Enhanced Rural Enterprise Zone, in which case the minimum is 5 net new jobs.

All net new jobs must be maintained for at least one year after the positions are hired to qualify for the minimum amount of tax credits that may be available to a business. All net new jobs must be maintained for one year after the credit period to qualify for the maximum tax credits that may be available to a business as specifically approved by the EDC. Businesses already receiving an incentive from the EDC's Strategic Fund or Performance Incentive Fund may not receive an incentive from the Job Growth Incentive Tax Credit Program for the same net new jobs.

The maximum tax credit the EDC can authorize is calculated by taking 50% of the FICA paid by the business on the net job growth for each year in the credit period. The maximum tax credit authorized for a business may be less if deemed appropriate by the EDC. If the issued tax credits exceed the taxpayer's income tax for the income tax year in which the business is first authorized to use the credit, the amount of the tax credit not used shall not be allowed as a refund, but may be carried forward and applied in each of the 10 succeeding income tax years.

Workforce Development Incentives

Colorado FIRST /Existing Industry Grants

Colorado First grants are for companies that are relocating to Colorado or existing companies that are undertaking a major expansion.

Existing Industry grants are for Colorado companies that are implementing new technology to remain competitive and keep jobs in Colorado. Approved training is for transferable job skills that support both the company's economic competitiveness by retraining its workers in new skills, while enhancing the workers' resumes and long-term employment opportunities.

Grant funded training must occur within the fiscal year that funds are awarded.

Grant applications for both programs must meet the following criteria:

- Maximum grant award of $800 per employee.

- Grant funded training must be for permanent, full-time, non-seasonal, non-retail positions in the state of Colorado, which have significant career opportunities and require substantive instruction.
- Grants will only be awarded to companies that meet a sustainable wage threshold; in urban areas, employers must pay an average wage of at least $10.46/hour; average wages in rural areas must be at least $8.21/hour.
- All grant-funded training must be customized to meet the company's specific needs.
- Applicant companies must pay for a minimum of 40% of the total training costs.
- A financial evaluation of the applicant company is required (Existing Industry applications only).
- An on-site visit of the applicant company is required.

Financial Assistance Incentives

Bioscience Discovery Evaluation Grant Program

This program supports technology transfer and commercialization with grants to qualified research institutions, to early-stage companies, and to fund critical infrastructure to grow the industry via partnership efforts between the bioscience industry and research institutions.

The Proof-of-Concept grants under the Bioscience Discovery Evaluation Grant Program support bioscience discoveries that will likely lead to the development of new products, services, businesses and employment in the bioscience industry in Colorado. Grants up to $150,000 are open to Offices of Technology Transfer affiliated with qualified Research Institutions in order to enhance the commercial potential of bioscience research projects that focus on life sciences, engineering, material sciences, computer sciences, photonics, or nanotechnology.

Early-Stage Bioscience Company grants under the Bioscience Discovery Evaluation Grant Program are intended to spur economic development and help new companies born out of Colorado research institutions succeed in developing new technologies, business structures, and products. Grants up to $250,000 are accessible to qualified Early-Stage Companies whose technology is licensed from a qualified Research Institution. Grants support the commercialization of therapeutic or diagnostic products, devices, or instruments to improve human health; bioscience technologies that improve agriculture; or biofuels.

Job Creation Performance Incentive Fund

This fund provides a performance-based incentive payment to qualifying companies that have created and hired net new full-time permanent jobs paying above average wages. The employer must maintain all of the new jobs for at least one year in order to claim an incentive from $1,500 to $4,500 per net new full-time job.

Strategic Fund Program

This fund provides an upfront performance-based incentive commitment to businesses that will create and hire net new full-time permanent jobs paying at or above average wages and that can meet other specified requirements. Businesses that receive approval for an incentive commitment under the program will execute a contract with the state which will authorize disbursement of funds when specified contract terms have been met. The cash incentive award may range from $2,000 to $5,000 per net new full-time job created based on the average wage rate of the new jobs actually created, the location of those jobs and other factors.

Eligible businesses must meet the circumstances below:

- Strong level of local matching commitments ($1:$1 requested)
- Potential for economic "spinoff" benefits, such as attracting suppliers, generating tourism/travel activity, high prestige, or a large expansion initiative
- Capital investment, relative to the number of jobs (significant capital investment is $100,000 or > per employee)
- Responds to a special local economic event, such as replacing recent lay-offs
- Inter-state competitive factors
- Headquarters in Colorado
- Other unique conditions

The business will need to demonstrate feasibility and financial capability along with the ability to create the number of jobs committed.

Potential incentive levels based on the annual average wage rate of a business' committed creation of net new full-time permanent jobs compared to the county average wage rate. The annual average wage rate calculation does not include benefits.

Enterprise Zone
Annual Average Wage Rate % and $ Incentive/Eligible Job:

100% = $2,000
110% = $3,000
120% = $4,000
130% or > $5,000

Non-Enterprise Zone
Annual Average Wage Rate % and $ Incentive/Eligible Job:

110% = $2,500
130% = $3,500
150% or > = $5,000

Source: www.advancecolorado.com

IDAHO

Tax Incentives

Idaho Business Advantage Tax Credit

Businesses that invest a minimum of $500,000 in new facilities and create at least 10 new jobs averaging $40,000 annually, plus benefits may qualify for a variety of incentives.

To qualify:

- The business must create at least 10 new jobs paying on average $40,000/year ($19.23/hour) plus benefits.
- The average wage of any additional new employee during the project period must be $15.50/hour plus benefits.
- The business must invest $500,000 in new facilities.
- The project period ends when the facilities are put into service.

Qualifying companies receive:

- Investment Tax Credit (ITC) of 3.75% is limited to 62.5% of tax liability or $750,000, whichever is less, for the taxable year. The credit can be carried forward for 14 years.
- Real Property Improvement Tax Credit of 2.5% is a nonrefundable credit against income taxes that is allowed on a new plant and buildings, and structural components that do not qualify for ITC. The credit cannot exceed $125,000 in any one tax year and has a 14-year carry forward provision.
- Sales and User Tax Rebate is available on all sales and use tax that the taxpayer or its contractors actually paid for any property constructed, located or installed within the project site during the project period.
- Small Employer Growth Incentive Exemption is an incentive that may be provided by a county, exempting all or a part of the new investment value from property taxes for a determined period of time.
- New Jobs Income Tax Credit can be applied for new jobs according to the following scale:
    - $15.50/hour to $24.03/hour = $1,000 per job
    - $24.04/hour to $28.85/hour = $1,500 per job
    - $28.86/hour to $36.06/hour = $2,000 per job
    - $36.07/hour to $43.27/hour = $2,500 per job
    - $43.28/hour or more = $3,000 per job

PROPERTY TAX INCENTIVES

Capital Investment Property Tax Incentives
Large Business Property Tax Exemption

Businesses that invest a minimum of $1 billion in capital improvements will receive a property tax exemption on all property in excess of $400 million in value per year.

To qualify:

- The property must be located in a single Idaho county.
- The property must be eligible for the federal investment tax credit, as defined in the Internal Revenue Code; and cannot be a motor vehicle under 8,000 pounds gross weight.
- The improvements, acquisition or construction must be real or personal property related plant and building facilities.

<u>Large Employer Property Tax Cap</u>

Businesses that employ at least 1,500 people within an Idaho county may receive a property tax exemption on property values in excess of $800 million. To qualify, the business must make a yearly capital investment of at least $25 million within that county.

<u>100% Property Tax Exemption</u>

Business inventory and registered motor vehicles, vessels and aircraft are exempt from property tax. Examples of property that is exempted:

- Livestock
- Goods temporarily stored in Idaho for shipment elsewhere
- Required pollution control equipment
- Household belongings and clothing
- Improvements on residential property/farms never occupied
    - This exemption applies to improvements to single family residences, residential townhouses, or residential condominium units until they become occupied. Once the above are occupied, the tax exemption no longer applies.
    - The nonresidential portion of an improvement to real property that is used or is to be used for residential and nonresidential purposes does not qualify for the exemption provided by this section. If an improvement contains multiple residential units, each such unit shall lose the exemption provided in this section when it becomes occupied.

INCOME TAX INCENTIVES

<u>Hire One Refundable Tax Credit</u>

Businesses that hire new employees to fill newly-created positions can receive a refundable income tax credit of up to 6% for the gross wages paid during the first 12 months of employment. The new employees must make at least $12/hour in counties where the unemployment rate is 10% or higher; and $15/hour in counties with unemployment rates below 10%. The amount of refund is based on the employer's unemployment insurance tax rating.

<u>3% Investment Tax Credit</u>

Businesses that make qualifying new investments' may earn an income tax credit. This credit can offset up to 50% of a company's state income tax liability and may be carried forward up to 14 years. To qualify:

- Qualifying property is new or used depreciable property that meets the definition found in the Internal Revenue Code.
- The depreciable life must be three years or more.
- Property not used in Idaho and vehicles under 8,000 pounds gross weight, do not qualify.

Property used in a trade or business that does qualify includes:

- Tangible personal property – machinery and equipment
- Other tangible property – property used as an integral part of manufacturing, production, extraction, or furnishing transportation, communications, or utility services, or research facilities and bulk storage facilities used in connection with those businesses
- Elevators and escalators
- Single purpose agricultural or horticultural structures, such as a commercial greenhouse or a milking barn
- Certain qualified timber property
- Petroleum storage facilities

Property that does not qualify includes the following:

- Buildings and their structural components
- Property used primarily for lodging. This is an apartment house or other facility where sleeping accommodations are provided and rented. The rental period is normally more than 30 days. (Tangible personal property used in a facility that rents rooms for a period of less than 30 days does qualify.)
- Property expenses under Section 179, IRC
- Property subject to 60-month amortization
- Used property:
    - not acquired by purchase; or
    - in excess of $150,000; or
    - acquired from a related person. This includes a person acquiring property they used prior to the acquisition.
- Property that is either nondepreciable or has a useful life of fewer than three years
- The portion of property that is for personal use
- Horses

<u>Qualified Investment Exemption</u>

This exemption may be applied in lieu of the Investment Tax Credit. A two-year exemption from property tax on qualified personal property is available only if a loss was incurred in the second preceding tax year in which the property is placed in service. The loss must have been computed without regard to any net operating loss carry over or carry back.

<u>Net Operating Loss Deductions</u>

Idaho offers a net operating loss income tax provision for losses up to $100,000 per tax year. Losses may be carried back for two years, or, if not absorbed in those two years, the remainder may be carried forward for up to 20 years.

5% Research Income Tax Credit

Businesses conducting basic and qualified research may earn an income tax credit of 5% that may be carried forward up to 14 years.

3% Broadband Income Tax Credit

Businesses that purchase qualified broadband equipment and infrastructure for the benefit of end users in Idaho may earn a 3% income tax credit up to $750,000. This credit is transferable and may be carried forward up to 14 years.

SALES TAX INCENTIVES

100% Sales Tax Exemption
Production Sales Tax Exemption

Businesses purchasing equipment and raw materials used directly in manufacturing, processing, mining, fabrication or logging operations; for clean rooms used in semiconductor and semiconductor equipment manufacturing; for any equipment or material used in research and development activities; and processing materials, substances or commodities for use as fuel for the production of energy may earn a sales exemption.

To qualify:

- The business or segment of a business (a division or branch with its own identify and separate accounting records) must spend the majority of its time producing products that will be resold.
- The business or segment of a business must be engaged in one of these activities:
    - Farming
    - Mining
    - Ranching
    - Fabrication
    - Manufacturing
    - Processing
- The business or segment of a business must be "primarily" devoted to producing a product for resale. This means that more than 50% of its activities must involve production.
- The business or segment of a business needs to own the goods being manufactured, processed, etc.
- The production exemption does not apply to the service-oriented businesses, with the exception of custom farming and contract mining.

Purchases that are exempt:
The production exemption allows tax-free purchases of:

- Raw materials that become part of a final product
- Chemicals and catalysts that affect a production by causing a physical change and removing impurities

- Equipment or other tangible personal property which is “primarily” and “directly” used in the production process
- Safety equipment and supplies that are used directly in the production process and used to meet required standards set by state and federal agencies

Pollution Control Equipment Sales Tax Exemption

Businesses purchasing required pollution control equipment are exempt from sales tax on those purchases. Required pollution control facilities are exempt from property tax.

Utility & Industrial Fuels Sales Tax Exemption

Businesses are exempt from paying sales tax on utilities and industrial fuels. Examples include power, water, natural gas and telephone.

100% Goods-In-Transit Tax Exemption

Idaho’s free port law provides that goods in transit (goods purchased by a carrier in its business and delivered outside the state under a bill of lading for use by the carrier in its business) are exempt from taxation.

Workforce Development Incentives

Workforce Development Training Program

This Program provides qualified businesses with funding to provide new full-time employees with needed skills or upgrade the skills of current full-time workers at risk of permanent lay off. Up to $2,000 is available for each new job created or up to $3,000 can be authorized per new job created in rural counties.

To qualify, a company must produce a product or service that is mainly sold outside the region where the business is located. Funds are available for employers of any size. Urban businesses must create a minimum of five new jobs to qualify. Rural businesses can receive training assistance for just one new worker. Businesses with collective bargaining agreements must obtain concurrence from the union.

All jobs supported by this training program must pay a starting wage of at least $12/hour and provide employer-assisted medical benefits. All workers trained must be hired, and new jobs created through the training must be listed with the Idaho Department of Labor’s job matching system. Training typically lasts 12 months, but can run up to 24 months if necessary.

Financial Assistance Incentives

Idaho Gem Grants

Idaho communities with “Gem Community Status” may apply for a grant of up to $50,000 for job creation projects. Eligible expenses include construction materials, new and rehabilitative construction, architectural and engineer services and property acquisition. Total statewide funding for the program in FY2012 is $50,000.

Source: www.commerce.idaho.gov/

MONTANA

Tax Incentives

PROPERTY TAX INCENTIVES

New Industrial Property Tax Abatement

Eligibility: New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% (normally 3.01% for real property) for the first three years of operation. Personal property is taxed at 3%.

"New industry" means any organization that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

New industry includes only those industries that:

- Manufacture, mill, mine, produce, process, or fabricate materials;
- Do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials;
- Engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual;
- Engage in the transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state; or
- Earn 50% or more of their annual gross income from out-of-state sales.

Qualifying Property: All real and personal property of the new industry. It *does not* include property used by retail or wholesale merchants, commercial services of any type, agriculture, trades or professions unless the business or profession meets the eligibility requirements; a plant that will create adverse impact on existing state, county, or municipal services; or property used or employed in any industrial plant that has been in operation in this state for three years or longer.

Benefit: The tax benefit received is a reduced taxable valuation rate of 3%. The tax benefit applies to all mills levied on the property.

Pollution Control Equipment

Eligibility: Air and water pollution control equipment is eligible for a reduced taxable valuation rate of 3%.

Qualifying Property: Facilities, machinery, or equipment used to reduce or control water or atmospheric pollution or contamination by removing, reducing, altering, disposing, or storing pollutants, contaminants, wastes, or heat.

Gasohol Producing Equipment

Eligibility: Property used to produce ethanol-blended gasoline is eligible for a reduced taxable valuation rate of 3% for the first three years of its operation.

Qualifying Property: Any real or personal property used primarily in the production of gasohol.

Electrolytic Reduction Facilities

Eligibility: Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3%.

Qualifying Property: Machinery used in electrolytic reduction facilities.

The tax benefit applies to all mills levied on the property and does not phase-out with time.

Research and Development

Eligibility: Property devoted to research and development is eligible for a reduced taxable valuation rate of 3%.

Qualifying Property: All land and improvements and personal property owned by a firm actively devoted to research and development.

The tax benefit applies to all mills levied on the property and does not phase-out with time.

CORPORATE LICENSE TAX CREDITS, EXEMPTIONS, DEDUCTIONS
Note: The corporate license tax is a franchise tax levied on corporations for the privilege of doing business in Montana. The rate of the tax is 6.75% and is calculated on net income earned in Montana (similar to a corporate income tax in other states).

Alternative Energy Producers Credit

Qualifying Expenditures: Investment of $5,000 or more in certain depreciable property qualifying under section 48(a) of the IRC, for a commercial or net metering system located in Montana which generates energy by means of an alternative renewable energy source.

Benefit: The credit is 35% of the eligible expenditures but is reduced by the amount of the federal credits so the effective credit does not exceed 60% of eligible costs. The credit must first be claimed in the year in which the asset was placed in service; any excess credit may be carried over up to 7 years.

For wind energy investments of 5 megawatts or larger, which are located within the exterior boundaries of a Montana Indian reservation, the credit may be carried over up to 15 years and the limitation of 60% of eligible costs is eliminated.

Biodiesel Blending and Storage Credit

Qualifying Expenditures: The cost of investments in depreciable property for constructing or equipping a facility, or both, in Montana to be used for biodiesel or biolubricant production.

Benefit: The amount of the credit that may be claimed is:

- Owner: 15% of the costs of the storage and blending equipment purchased
- Special fuels distributors: 15% of the costs, up to a total of $52,500
- Owner or operator of a motor fuel outlet: 15% of the costs, up to a total of $7,500

Capital Gains and Dividends from Small Business Investment Company Tax Exemption

Eligibility: Any capital gains or dividend income realized by an individual or corporation from an investment in a Small Business Investment Company (as defined by state law).

Benefit: The capital gains or dividend income is exempt from state individual and corporate income tax.

Contractor's Gross Receipts Tax Credit

Eligibility: Contractors, and some sub-contractors, performing public construction work under a federal, state or local government contract

Qualifying Expenditures: An additional license fee equal to 1% of the gross receipts for government contracts is paid.

Benefit: The credit can be used to offset the tax liability of corporate license or corporate income taxes. Any unused credit can be carried forward for up to five subsequent years.

Credit for Increasing Research Activities

Qualifying Expenditures: Increases in qualified research expense and basic research payments for research conducted in Montana. Credit is determined in accordance with section 41 of the IRC and, as it may be amended, with exception that the applicable rate is 5% for Montana purposes.

Benefit: The credit is equal to 5% of the increase in qualified research expense and basic research payments for research in Montana. The credit is nonrefundable but may be carried back two years and forward 15 years.

Empowerment Zone Tax Credit

Local governments can establish empowerment zones to encourage economic development. Among other criteria, unemployment within the empowerment zone area must be at least 150% of the statewide average unemployment or poverty rate in the two years prior to creation of the empowerment zone.

Qualifying Businesses must:

- be located within the Zone;
- generate less than 10% of the business' revenue from retail sales of tangible personal property, other than that manufactured in the facility;
- increase employment within the Zone from employees who:
    - work at least 1,750 hours per year in permanent employment intended to last at least 3 years;
    - were not employed in the business within the 12 preceding months;
    - at least 35% are residents of the county at the time of their employment;
    - are provided a health benefit plan of which at least 50% of the premium is paid by the business;
    - are paid for job duties performed at the Zone location

Benefit: The credit against income tax liability for each qualifying employee is $500 for the first year of employment; $1,000 for the second year of employment and $1,500 for the third year of employment. If the credit exceeds the taxpayers' income tax liability, the credit may be carried forward 7 years and carried back 3 years. In addition to the income tax credits, the employer is also entitled to a credit against the insurance premium tax. The credits against the tax are the same as listed above.

<u>Mineral and Coal Exploration Incentive Credit</u>

Qualifying Expenditures: Certified expenditures for mining exploration activities, which represent costs incurred for activities in direct support of exploration activity conducted at a specific exploration site for the purpose of determining the existence, location, extent or qualify of a mineral or coal deposit. The credit applies to activities associated with both new mines and mines that are being reopened. These expenditures must receive prior certification by the department in order to qualify for the credit.

Benefit: A credit may be claimed for certified expenditures of mining exploration activities not to exceed 50% of the tax liability for the tax year that is related to production from the mining operation at which the exploration activities occurred. If a portion of the credit is not applied during a tax year, it may be carried forward and applied during a subsequent tax year.

<u>Montana Disability Insurance for Uninsured Montanans Credit</u>

Eligibility: Montana employers who:

- have been in business in Montana for at least 12 months
- employ 20 or fewer employees working at least 20 hours per week

Qualifying Expenditures: Premiums for disability insurance on behalf of employees if at least 50% of each employee's premium is paid by the employer

Benefit: The credit is equal to $25/month for each employee (up to 10 employees maximum) if the employer pays 100% of an employee's premium, or a proportionate amount of $25 if the employer pays less than 100% of an employee's premium. The credit may not exceed 50% of the premium cost for each employer. The credit may not be claimed for a period of more than 36 consecutive months. A tax credit may not be granted to an employer or its successor within

10 years of the last consecutive credit claimed. The credit is nonrefundable and may not be carried forward or back.

<u>New/Expanded Industry Credit</u>

Manufacturing companies that increase total full-time employment by at least 30% may take a credit of 1% of the total wages paid to new employees. The credit is limited to the year in which it is earned.

<u>Oilseed Crushing Facility Credit</u>

A credit may be claimed for the cost of investments in qualifying depreciable property in Montana used to crush oilseed crops for the purpose of making biodiesel fuel or biolubricant. The credit is equal to 15% of the cost in the property, up to a maximum credit of $500,000. The credit is applied against income tax liability in the tax year that the facility begins processing the oilseed or manufacturing a product from the oilseed. The credit can be carried over for seven succeeding years if the facility is crushing oilseed during that tax period.

<u>Recycle Credit/Deduction</u>

Qualifying Expenditures: Investments in depreciable equipment or machinery used to collect, process, or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes

Benefit: A percentage (25% to 5%) of the cost of the property used in Montana. No carry forward or carry back is allowed.

<u>Research and Development Firms Tax Exemption</u>

Eligibility: Research and development firms organized to engage in business in the state of Montana for the first time. Firms must file applications with the Department of Revenue before the end of the first calendar quarter during which the firm engages in business in Montana.

Benefit: All net income earned from research and development activities are exempt from corporate license tax during its first five taxable years of activity in Montana.

Workforce Development Incentives

<u>Workforce Training Grants</u>

Montana's Workforce Training Act provides grants for businesses that create new jobs in Montana and provide training or education to the net new employees hired within two years of the grant award.

- Almost any type of training or education will qualify for the grant, including in-house training, when a reasonable training plan is in place.

- Primary sector jobs are those created by firms whose out-of-state sales exceed 50% of its total gross sales, or by firms that supply local customers with products and services that would otherwise be unavailable to them.
- All expenses directly related to the training will qualify for reimbursement, except that grants cannot be used to pay employee salaries during training (grants can be used to cover instructor salaries).
- This program will award $5,000 for each eligible net new job created.
    - An eligible net new job is a newly created position that carries a total compensation that equals or exceeds the lower of the state or the county average wage.
    - The total compensation considered for this program may include the value of employee benefits.

Incumbent Worker Training Fund (IWT)

IWT grant monies help employers train their current workers to enhance business productivity and efficiency, reduce employee turnover, and provide a direct benefit to the employee's occupation. Training can be as simple as upgrading or learning a new skill, such as a QuickBooks class. It can be more specific such as advanced equipment training. Other topics may include safety training, customer service, management or supervisory training:

- Small business with less than 50 employees statewide and no more than 20 employees in one location
- Maximum of $2,000 per year per full-time employee (35 or more hours/week)
- Maximum of $1,000 per part-time employee (20-34 hours/week)
- In-state training: employer must match $1 for every $4 requested
- Out-of-state training: employer must match 50% of the employee's travel expenses (excluding meals, taxis or car rental services)
- Wages/benefits the employee received during the training period are allowable as match is provided

Financial Assistance Incentives

Big Sky Economic Development Trust Fund Grants

This Fund provides grants and/or loans for businesses that create new primary sector jobs in Montana.

- Primary sector jobs are those created by firms whose out-of-state sales exceed 50% of its total gross sales or by firms that supply local customers with products and services that would otherwise be unavailable to them.
- These funds can be utilized to help fund worker training, infrastructure costs, construction, relocation costs and working capital.
- Funds are passed through a unit of local government, which retains 5% to cover its administration costs

Economic Development Job Creation Projects: 75% of BSTF earnings shall be awarded to local and tribal governments in the form of grants to assist businesses in creating net new eligible jobs. Each qualifying primary sector position created that pays at least the average weekly wage for the applicable county is eligible for a $5,000 award. The wage threshold does not include benefits.

Source: http://business.mt.gov/

NEVADA

Tax Incentives

Nevada has no corporate or personal income tax, but there are several sales and property tax abatements. Nevada does not tax inventory; and has no unitary, franchise or inheritance taxes.

Sales and Use Tax Abatement

There are partial sales and use tax abatements for purchases of capital equipment, reducing the applicable tax rate to 2%. Eligible goods are capital goods which an allowance for depreciation is authorized pursuant to the U. S. Internal Revenue Code, under "Qualifying Property." Ineligible goods are capital goods purchases including, but not limited to: buildings or their structural components, equipment utilized by a public utility, equipment used for medical treatment, and machinery and equipment used in construction, gaming, and mining industries.

To qualify, businesses must:

- Pay an average hourly wage equal to or exceeding 100% of the county average hourly wage or the statewide average hourly wage, whichever is less
- Create a minimum number of jobs
    - For counties or cities with a population of more than 100,000 or 60,000, respectively, requires a minimum of 75 full-time permanent jobs in the state by the fourth quarter of operation and continue to employ at least the minimum. For counties or cities with a population of less than 100,000 or 60,000, respectively, requires a minimum of 15 full-time permanent jobs by the fourth quarter of operation and continue to employ at least the minimum. Eligible expansions must increase the number of employees on the payroll by 10% or six employees, whichever is greater.
- Meet capital investment requirements
    - For counties or cities with a population or more than 100,000 or 60,000, respectively, a capital investment of $1 million is required. For counties or cities with a population of less than 100,000 or 60,000, respectively, a capital investment of $250,000 is required.

Personal Property Tax Abatement

Partial abatement from personal property taxes is available to companies who locate or expand their business. The abatement can be up to 50% of the taxes due for up to 10 years. Eligible and ineligible goods are the same as the Sales and Use Tax Abatement.

The minimum wage, healthcare provision and number of jobs required are the same as the Sales and Use Tax Abatement.

The capital investment requirements are:

- For counties or cities with a population of more than 100,000 or 60,000, respectively, the business will make a capital investment of $50 million if the business is an industrial or manufacturing business or at least $5 million if the business is not an industrial or manufacturing business. For counties or cities with a population of less than 100,000 or 60,000, respectively, the company will make a capital investment of $5 million if the business is an industrial or manufacturing business or at least $500,000 if the business is not an industrial or manufacturing business. For new businesses, the parameter is required. In cases of expansion, the capital investment must equal at least 20% of the value of tangible property possessed by the business. "Clawback" provisions apply.

Modified Business Tax Abatement

A modified business tax is imposed on each employer at the rate of 1.17% on wages over $62,500 after health care deductions per quarter. A partial abatement of the tax during the initial period of operation is available. Qualifying employers may apply for an abatement of 50% of the tax otherwise due during the first four years of its operations.

The minimum wage, healthcare provision and number of jobs required are the same as the Sales and Use Tax Abatement.

The capital investment requirements are:

- For counties or cities with a population of more than 100,000 or 60,000, respectively, a capital investment of $1 million is required. For counties or cities with a population of less than 100,000 or 60,000, respectively, a capital investment of $250,000 is required.

Property Tax Abatement for Recycling

Partial abatement of real and personal property taxes for recycling is available to companies who locate or expand their business in Nevada. The abatement can be up to 50% of the tax due up to 10 years. The business must either recycle at least 50% of the product onsite or primarily generate electricity from recycled material.

The minimum wage, healthcare provision and number of jobs required are the same as the Sales and Use Tax Abatement. The capital investment requirements are the same as the Personal Property Tax Abatement. If a business in not maintained at the approved level in the state for five years after tax abatement approval, "clawback" provisions apply.

Intellectual Property Development

Partial abatement of sales tax, modified business tax and personal property tax is available to intellectual property development companies who locate or expand their business in Nevada. The business must further the development and refinement of intellectual property, a patent or copyright into a commercial product.

The wage and healthcare provisions are the same as the other tax abatement programs. The company must have a minimum of 10 full-time permanent jobs in Nevada by the fourth quarter of operation and continue to employ at least the minimum. The capital investment requirement is $500,000. "Clawback" provisions apply.

Workforce Development Incentives

Train Employees Now

This program provides short-term, skills-based intensive job training to assist new and expanding firms to reach productivity quickly. A customized program is designed covering recruitment, hiring and job training for Nevada residents. Each program is designed jointly by the firm and state agencies. Major elements of the program include the development of a job applicant list, programming, materials, and classroom training. Training providers include local community colleges, private post-secondary institutions, or others identified by the applicant.

Program Benefits:

- Assistance with employee screening;
- The employer determines the goals and objectives of the training;
- Most direct training costs are eligible for reimbursement, including:
    - Consumable materials and equipment;
    - Rental of tools and equipment;
    - Rental of training site;
    - Instructor salaries and benefits;
    - Travel and per diem for limited number of instructors and trainees (if applicable).

Eligibility:

- Businesses must hire a minimum of 10 trainees to participate. Trainees must be Nevada residents. Generally the ceiling expenditure per trainee is $1,000.
- Wages for jobs considered for training must exceed 80% of the statewide average annual wage.
- Businesses must provide health insurance with an option for dependents.
- Training is provided only for full-time, primary jobs created by companies locating or undertaking a significant expansion in Nevada.
- Existing businesses must prove growth by significantly increased employment or other factors indicating new investment and job creation.
- Grants are available for short-term customized training for new employees.
- Classroom training is limited to 30 days of training, with the exception of published community college courses, and must be completed within a 180-day period.
- Training must commence within the first 90 days after approval, with a written request to the executive director, an extension may be granted up to an additional 90 days. If the deadline is not met, the funds may be reallocated to other companies.
- The program can fund up to 75% of total eligible costs. The company is required to contribute at least 25% of total eligible costs.
- Businesses must attempt to leverage other state and federal training resources wherever feasible.
- Businesses (or parent companies) must have a proven business history.
- Businesses must commit to Nevada for five years. “Clawback” provisions apply.
- Payment will be made incrementally to the community college as training progresses.

Source: www.diversitynevada.com

NEW MEXICO

Tax Incentives

High Wage Jobs Tax Credit
A taxpayer who is an eligible employer may apply for and receive a tax credit for each new high-wage economic-base job. The credit amount equals 10% of the wages and benefits paid for each new economic-base job created.

Qualified jobs:

- Pays at least $28,000/year in a community with a population of less than 40,000
- Pays at least $40,000/year in a community with a population of 40,000 or more
- Occupied for at least 48 weeks by the employee

Qualified employers:

- Made more than 50% of its sales to persons outside New Mexico during the most recent 12 months of the employer's modified combined tax liability reporting periods ending prior to claiming this credit
- Are eligible for the Job Training Incentive Program
- Are growing with employment greater than the previous year

Qualified employers can take the credit for 4 years. The credit can be applied to the state portion of the gross receipts tax, compensating tax and withholding tax. Any excess credit will be *refunded to the taxpayer*. The credit shall not exceed $12,000 per year, per job.

Qualified employees:

- Must be a resident of New Mexico
- Cannot be a relative of the employer or own more than 50% of the company

Rural Jobs Tax Credit
This credit can be applied to taxes due on (state) gross receipts, corporate income, or personal income tax. Rural New Mexico is defined as any part of the state other than Los Alamos County; certain municipalities: Albuquerque, Rio Rancho, Farmington, Las Cruces, Roswell, and Santa Fe; and a 10-mile zone around those select municipalities.

Company eligibility:

- Companies that manufacture or produce a product in New Mexico
- Non-retail service companies that export a substantial percentage of services out of state (50% or more revenues and/or customer base).
- Certain green industries

The rural area is divided into two tiers:

- Tier 2 = Non-metro area municipalities that exceed 15,000 in population: Alamogordo, Carlsbad, Clovis, Gallup, and Hobbs;
- Tier 1 = Everywhere else in a rural area

The maximum tax credit amount with respect to each qualifying job is equal to:

- Tier 1: 25% of the first $16,000 in wages paid for the qualifying job (may be taken for four years)
- Tier 2: 12.5% of the first $16,000 in wages paid for the qualifying job (may be taken for two years)

A qualifying job is a job filled by an eligible employee for 48 weeks in a 12-month qualifying period. The credit may be carried forward for up to 3 years.

<u>Technology Jobs Tax Credit</u>

This credit has two parts: a basic credit and an additional credit, each equal to 4% of the qualified expenditures on qualified research at a qualified facility. The credit amount doubles for expenditures in facilities located in rural New Mexico (as defined for this tax credit as anywhere outside Rio Rancho or more than 3 miles outside Bernalillo, Dona Ana, San Juan or Santa Fe counties).

Eligible Uses

1. Expenditures: Includes a wide range of non-reimbursed expenses such as payroll, consultants and contractors performing work in New Mexico, software, equipment, technical manuals, rent, and operating expenses of facilities.
2. Research: Must be technological in nature and constitute elements of a process of experimentation leading to new or improved function, performance or reliability (not cosmetic, style).
3. Facility: A building or group, with land and machinery, equipment and other real or personal property used in connection with the operation of the facility; excludes national labs.

Rates & Terms

1. Basic credit: The taxpayer claims the credit within one year following the end of the year in which the expenditure was made. The credit amount is applied against the taxpayer's state gross receipts, compensating and withholding liabilities until the credit is exhausted.
2. Additional credit: A taxpayer earns the additional credit by increasing its payroll. The annual payroll must increase by at least $75,000 over the base period and by at least $75,000 for each $1 million in qualified expenditures (equivalent to $40,000 in credit) it wishes to claim. The base period floats; it is defined as the 12-month period ending on the day one year prior to the day the taxpayer applies for the additional credit. The base period payroll amount is also to be adjusted for inflation so that merely keeping up with the inflation will not earn any credit. The credit is not refundable, but excess credit amounts may be carried forward.

<u>Investment Tax Credit for Manufacturers</u>

(Investment Credit Act)

Manufacturers may take a credit against gross receipts, compensating or withholding taxes equal to 5% of the value of qualified equipment imported and put into use in a manufacturing plant in New Mexico, provided the manufacturer meets the criteria of hiring additional workers to earn the credit, as follows:

For Claims	*1 new worker employed for each*
0-$30,000,000:	$500,000 qualified equipment;
Over $30,000,000:	$1 million in qualified equipment.

The credit may (also) be claimed for equipment acquired under an IRB. This is a double benefit because no gross receipts or compensating tax was paid on the purchase or importation of the equipment.

The manufacturer simply reduces its tax payment to the state (by as much as 85% per reporting period) until the amount of investment credit is exhausted. There also are provisions for issuing a refund when the credit balance falls under $500,000. The credit does not apply against local gross receipts taxes.

Double Weight Sales Factor

A corporation (or family of corporations filing together) with income from sources within New Mexico as well as from sources outside the state, apportions the income based on a three-factor formula. New Mexico taxes the total corporate income multiplied by the average proportion of corporate sales, payroll and property in New Mexico. The three factors (sales, payroll and property) have equal weight (33.33% each) in the formula.

For purposes of electing the four-factor apportionment method, “manufacturing” excludes construction, farming, power generation and processing of natural resources, while allowing certain natural-gas-fired, wholesale power plants to qualify. The taxpayer, having elected to use the double-weighted formula, must use it for at least three consecutive years.

Angel Investment Credit

A taxpayer who files a New Mexico income tax return and who is a “qualified investor” may take a tax credit of up to $25,000 (25% of a qualified investment of not more than $100,000) for an investment made in a New Mexico company that is engaging in high-technology research or manufacturing. The taxpayer may claim the angel investment credit for up to two qualified investments in a taxable year, provided that each investment is in a different qualified business. Any portion of the tax credit remaining unused at the end of the taxpayer’s taxable year may be carried forward for three consecutive years.

Child Care Corporate Income Tax Credit

Corporations providing or paying for licensed child care services for employees’ children under 12 years of age may deduct 30% of eligible expenses from their corporate income tax liability for the taxable year in which the expenses occur. For a company operating a value-added day care center for its employees, this credit reduces the cost to provide this benefit to employees. The corporate income tax credit is 30% of eligible costs up to $30,000 in any taxable year. Unused credit amounts may be carried forward for three years.

Research and Development Gross Receipts Tax Deduction

Any service that is exported from the state, including research and development services, are not subject to New Mexico gross receipts tax. These services must be produced by a business with a New Mexico office, sold to an out-of-state buyer, and delivered and initially used out-of-state. This makes R&D a deductible transaction.

R&D Small Business Tax Credit
A qualified R&D small business is eligible for a credit equal to the sum of all gross receipts taxes, compensating taxes or withholding taxes due to the state for up to three years.

Definitions
Qualified research is defined as that undertaken for the purpose of discovering information that is technological in nature and the application of which is intended to be useful in the development of a new or improved business component and in which substantially all activities constitute elements of a process of experimentation related to new or improved function, performance, reliability or quality, but not related to style, taste, cosmetic or seasonal design factors.

Qualified R&D small business means a business that:

1. Employs no more than 25 employees in any prior calendar month
2. Had total revenue of no more than $5 million dollars in any prior fiscal year.
3. Did not in any prior calendar month have more than 50% of its voting securities or other equity interest with the right to designate or elect the board of directors or other governing body of the qualified business owned directly or indirectly by another business
4. Has made qualified research expenditures for the period of 12 calendar months ending with the month for which the credit is sought of at least 20% of its total expenditures for those 12 months.

INDUSTRY SPECIFIC

Advanced Energy

Advanced Energy Product Manufacturer's Tax Credit

Manufacturers of advanced energy vehicles, fuel cell systems, renewable energy systems or any component of an advanced energy vehicle, fuel cell system or renewable energy system or components for integrated gasification combined cycle coal facilities and equipment related to the sequestration of carbon from integrated gasification combined cycle plants, may qualify for a tax credit of 5% of the taxpayer's qualified expenditures and may be deducted from the taxpayer's modified combined tax liability. Unused portions of the credit may be carried forward for five years.

Renewable Energy Production Tax Credit

Each qualified energy generator may earn an income tax credit of 1 cent ($.01) per kilowatt-hour for the first 400,000 megawatt-hours (equivalent to 400,000,000 kilowatts) of electricity produced using a qualified energy source for 10 consecutive years, beginning with the first year of production.

Advanced Energy Tax Credits

Advanced energy facilities, such as solar thermal electric, advanced technology coal, or recycled energy, may qualify for up to $60 million in credits. The credit is equal to 6% of facility development and construction expenditures.

Wind Energy Equipment Gross Receipts Tax Deduction

New Mexico provides a gross receipts tax deduction for receipts from selling wind turbines, nacelles, rotors, blades and related equipment to a state or federal government entity.

Biomass-Related Equipment Compensating Tax Deduction

The value of equipment such as a boiler, turbine-generator, storage facility, feedstock processor, interconnection transformer or biomass material used for bio-power, bio-fuels, or bio-based products may be deducted in computing the compensating tax due.

Bio-Fuels Production and Sales Tax Incentive

Provides a tax credit on blended biodiesel fuels (a minimum of 2% biodiesel). Gross receipts and compensating tax may be deducted for installing biodiesel blending infrastructure up to $50,000 per facility or $1 million per year.

Agriculture

Agricultural Business Tax Deductions and Exemptions

Gross receipts tax deductions are available for selling to agribusinesses:

1. Feed for livestock, including the baling wire or twine used to contain the feed, fish raised for human consumption, poultry or animals raised for hides or pelts and seeds, roots, bulbs, plants, soil conditioners, fertilizers, insecticides, germicides, insects, fungicides, weedicides and water for irrigation
2. Warehousing, threshing, cleaning, harvesting, growing, cultivating or processing agricultural products including ginning cotton, and testing and transporting milk. Gross receipts tax exemptions are permitted for feeding, pasturing, penning, handling or training livestock and, for agribusinesses, selling livestock, live poultry and unprocessed agricultural products, hides and pelts.

Aerospace and Aviation

Aircraft Manufacturing Tax Deduction

Receipts of an aircraft manufacturer or affiliate from selling aircraft or aircraft parts, or from selling services performed on aircraft or aircraft components or from selling aircraft flight support, pilot training or maintenance training services may be deducted from gross receipts.

Aircraft Maintenance or Remodeling Tax Deduction

Receipts from maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier (aircraft) over 10,000 pounds gross landing weight may be deducted from gross receipts.

Space Gross Receipts Tax Deductions

There are four separate deductions connected with the operation of a spaceport in New Mexico. The four deductions are:

1. Receipts from launching, operating or recovering space vehicles or payloads
2. Receipts from preparing a payload in New Mexico
3. Receipts from operating a spaceport in New Mexico
4. Receipts from the provision of research, development, testing and evaluation services for the United States Air Force operationally responsive space program

"Space" is defined as any location beyond altitudes of 60,000 feet above mean sea level. "Payload" means a system, subsystem or other mechanical structure designed and constructed to perform a function in space. "Space operations" is defined as the process of commanding and controlling payloads in space. "Spaceport" is defined as the installation and related facilities used for the launching, landing, operating, recovering, servicing and monitoring of vehicles capable of entering or returning from space.

Border Locations

Texas/Mexico Border Residents' Tax Exemption

Non-resident employees may allocate their compensation to their home state. Since Texas does not have a personal income tax, Texas residents working at the New Mexico enterprise will not have to pay any state income tax on their compensation from the enterprise. The enterprise must be in the manufacturing business, physically located within 20 miles of the Mexican border, have at least 5 employees who are New Mexico residents and not be receiving *Job Training Incentive Program* funds.

Fee-Free Zones Near the Mexican Border

This law exempts from the trip tax the use of New Mexico highways by commercial motor carrier vehicles while operating exclusively within 10 miles of a border with Mexico in conjunction with crossing the border with Mexico. This law also exempts from weight distance tax the use of New Mexico highways by commercial motor carrier vehicles while operating exclusively within 10 miles of a border with Mexico in conjunction with crossing the border with Mexico.

DOD Contractors

Military Acquisition Program Tax Deduction

Receipts from transformational acquisition programs performing research and development, testing, and evaluation at New Mexico major range and test facility bases pursuant to contracts entered into with the U. S. Department of Defense may be deducted from gross receipts.

Research and Development Tax Deduction

Aerospace services are the research and development services sold or for resale to an organization for resale by the organization to the U.S. Air Force. When R&D services are sold to Phillips Laboratory for resale to the Air Force, the seller's receipts are deductible. If the R&D services are sold to an intermediary for resale to Phillips Laboratory for resale to the Air Force, those receipts are also deductible.

Other

Beer and Wine Producers Preferential Tax Rate

Microbreweries producing less than 5,000 barrels of beer annually and small wineries producing less than 560,000 liters of wine per year qualify for a preferential tax rate.

The Liquor Excise Tax Act imposes taxes on beer, wine and spirituous liquors. The basic tax rate for wine is 45 cents per liter. Wine produced by a small vintner (definition in opening sentence above) carries a tax of 10 cents per liter on the first 80,000 liters and 20 cents on production over that level up to 560,000 liters. The basic tax rate for beer produced by a brewery is 41 cents; beer produced by a microbrewery (defined above) is taxed at 8 cents per gallon.

Financial Management Tax Credit

Receipts from fees received for performing management or investment advisory services for a related mutual fund, hedge fund or real estate investment trust may be deducted from gross receipts.

Locomotive Fuel Gross Receipts & Compensating Tax Exemption

Receipts from the sale of fuel to a common carrier to be loaded or used in a locomotive engine are exempted from the gross receipts and compensating taxes. "Locomotive engine" is defined as a wheeled vehicle consisting of a self-propelled engine that is used to draw trains along railway tracks.

Rural Software Development Gross Receipts Tax Deduction

A taxpayer whose primary business is providing software development services and who had no business location in New Mexico other than in a qualified area during the period for which a deduction under this section is sought. The company must have been established after 7/1/02. Software development services include custom software design and development and web site design and development, but does not include software implementation or support services.

Rural, for purposes of this tax deduction, is defined as statewide except for an incorporated municipality with a population of more than 50,000 (Albuquerque, Las Cruces, Rio Rancho and Santa Fe).

Telemarketing Gross Receipts Tax Exemption

Receipts from WATS (Wide Area Telephone Service) and private communications services are exempted from gross receipts tax and the interstate telecommunications gross receipts tax act.

Web Hosting Gross Receipts Tax Deduction

Receipts from hosting World Wide Web sites may be deducted from gross receipts. Hosting means storing information on computers attached to the internet.

Workforce Development Incentives

Job Training Incentive Program (JTIP)

JTIP funds classroom and on-the-job training for newly created jobs in expanding or relocating businesses for up to 6 months. The program reimburses between 40% and 70% of employee wages for up to six months, depending on the training plan and skills required.

Eligible Uses:
Customized training is conducted at the business facility or at an educational institution in one of three ways:
(1) Custom classroom training at New Mexico public educational institutions; or
(2) Training at the business facility, with hands-on skill development, customized to develop unique skills essential to the business; or
(3) A combination of on-the-job and classroom training

Company eligibility:

- Companies that manufacture or produce a product in New Mexico
- Non-retail service companies that export a substantial percentage of services out of state (50% or more revenues and/or customer base)
- Certain green industries

The company must be financially sound and must be creating new jobs as a result of expansion or relocation to the state. Agriculture, construction, extractive industries, gambling, health care and retail are some of the industry sectors that are *not* eligible.

Job eligibility:

- Full time (minimum of 32 hours/week)
- Permanent
- Directly related to the creation of the product or service, (one in 10 positions applied for may be outside product/service creation). Typical examples include marketing, sales, and general administration.
- Trainees must be guaranteed full-time employment upon successful completion of the training program.

Trainee eligibility:

- New hire to company
- Resident of the state for at least one year at any tie prior to employment in an eligible position
- Cannot have left high school in the three months prior to employment, unless they have graduated or completed a GED

Financial Assistance Incentives

Local Economic Development Act (LEDA)

New Mexico provides funding (referred to as Capital Outlay), which can be used to fund the "hard" costs of a new job creation project in the state. The local entity must have passed LEDA in order to receive these funds. Eligible costs can include:

- Construction
- Rehabilitation
- Equipment
- Architectural and engineering services
- Infrastructure to the site

Operating expenses and other "soft" costs are not eligible. The amount of funding available varies from year to year. Maximum funding for any one project depends on the level of investment and new job creation.

Source: www.goNM.biz

UTAH

Tax Incentives

Sales Tax Exemption for Manufacturing Equipment

Manufacturers may be eligible for exemption from sales tax on the purchase of new equipment for Utah plant start-ups. Replacement manufacturing equipment purchases may also be eligible for exemption.

Economic Development Tax Increment Financing (EDTIF)

EDTIF is a post-performance, refundable tax credit for up to 30% of new state revenues (sales taxes, corporate taxes and withholding taxes paid to the state) over the life of the project (typically 5 to 10 years). It is available to companies seeking relocation and expansion of operations to the State of Utah:

- Maximum credit of up to 30% over the life of the project.
- No more than 50% credit in any one year.
- The life of the incentive is typically 5 to 10 years.
- In urban communities, new jobs created must pay at least 125% above the county average wage and must be within a specific target industry.
- In rural communities, new jobs created must pay at least 100% of the county average wage.
- Retail distribution projects are not eligible for this incentive.

Requirements

- Obtain commitment from local government to provide local incentives and establish an Economic Development Zone
- Enter into an incentive agreement with the state
- Generate new tax revenues
- Significant capital investment
- Significant purchases from Utah vendors/suppliers

Renewable Energy Development Incentive

A post-performance, refundable tax credit for up to 100% of new state tax revenues (sales taxes, corporate taxes and withholding taxes paid to the state) over the of the project (typically 5 to 10 years).

Requirements

- Project consists of renewable energy generation or related manufacturing
- Create new high-wage jobs in Utah (at least 50 jobs in urban communities paying at least 125% of county average wage and create new jobs in rural communities paying at least 100% of county average wages)
- Obtain commitment from local government to provide local incentives
- Demonstrate company stability and sustainability
- Demonstrate competition with other locations outside of Utah

- Enter into an incentive agreement with the state

Recycling Zones

More than 20 Utah communities have been designated by the state as Recycling Market Development Zones. The legislation was established to provide an incentive to businesses to use recycled materials in their manufacturing processes and create new products for sale. It also benefits businesses that collect, process and distribute recycled materials. Possible tax credits include:

- 5% Utah state income tax credit on the cost of machinery and equipment
- 20% Utah state income tax credit of up to $2,000 on eligible operating expenses
- Technical assistance from state recycling economic development professionals
- Various local incentives including zoning assistance, discounted business license fees, etc.

Research Tax Credits

Companies doing qualified research in Utah may be eligible for a non-refundable income tax credit of up to 5% of qualified research activities and 6% of qualified investments in research machinery and equipment.

Enterprise Zone Tax Credits

Certain types of businesses locating or expanding in a designated zone may claim state income tax credits.

Workforce Development Incentives

Custom Fit Training

Custom Fit Training is provided through post-secondary institutions across the state. Funding is allocated each year by the state to cover up to 40% of the costs of the training. Training can be provided on-campus or on-site.

Financial Assistance Incentives

Industrial Assistance Fund (IAF)

IAF is a post-performance grant for the creation of high-wage jobs in the state.

Requirements

- Obtain commitment from local government to provide local incentives
- Enter into an incentive agreement with the state
- Create new high-wage jobs (same job and wage thresholds as the EDTIF)
- Demonstrate company stability and profitability
- Demonstrate competition with other locations outside Utah

Rural Fast Track Program (RFT)

RFT is a post-performance grant available to small companies in rural Utah.

Requirements

- Be located in a county with a population less than 30,000 and average household income less than $60,000
- Have been in business for at least two years
- Have at least two full-time employees
- Enter into an incentive agreement with the state which specifies performance milestones
- Demonstrate how the business development project will promote business and economic development in a rural county
    - Up to $50,000 for a qualifying business development project
- Create and retain for at least 12 months new high-wage jobs in a rural county
    - $1,000 for each new bull-time job paying 110% of the county's average annual wage
    - $1,250 for each new full-time job paying 115% of the county's average annual wage
    - $1,500 for each new full-time job paying 125% of the county's average annual wage

Source: http://www.edcutah.org/

WYOMING

Tax Incentives

None: no corporate or personal income tax.

Workforce Development Incentives

The Workforce Development Training Fund (WDTF)

The WDTF assists new and expanding industries in training new or current employees. Grants are available for up to $4,000 per trainee.

New Jobs
For each fiscal year, a trainee may only receive the following:

- $1,000 per trainee working less than 35 hours per week
- $2,000 per trainee working 35 or more hours per week
- $4,000 per trainee whose wages are equal to or greater than the mean hourly wage by county, as determined by the U. S. Department of Labor, Bureau of Labor Statistics.
- Applications must include a signed certifying statement from the business that the position was created within the past 180 days prior to the application's postmark date, and that the position constitutes a net increase in positions for the business.
- Applications will only be accepted for a minimum grant amount of $300.
- Applications or combinations of applications for the same business which total $25,000 or more must have the concurrence of the local or regional Wyoming Business Council representative and the economic development entity to be approved.
- No funding will be granted on a retroactive basis.
- The application must be approved and a contract must be signed and dated by the business prior to the business training start date.

All Wyoming businesses are eligible to apply; and Wyoming county hospitals. Trainees must be working in Wyoming at least 50% of the time for the eligible business applying for the training grant.

Allowable expenses include:

- Trainee's wages;
- Tuition, registration, class fees and class materials;
- Travel expenses including transportation, lodging and meals;
- Instructor fees and travel expenses; and
- Fees for continuing education units and certificates that may be obtained during the training.

Expenses that are not allowable include:

- Trainees' fringe benefits;
- Administration expenses;
- Instructor wages where the instructor is an employee of the business;
- Purchase, rented, or leased equipment;
- Assessments, testing, and certification exams that are not included in the training;
- Capital construction of any kind; and/or
- Cost of preparing the grant application.

Incumbent Training
Business Training Grants for existing positions can provide up to $2,000 per trainee per fiscal year for established Wyoming businesses with existing employees who need a skill upgrade or retraining in their current occupations.

In order for training to be approved, the business must demonstrate:

- Training with either correct an employee's skill deficiency or upgrade an employee's current skill level;
- There is a direct relationship between the training and the trainee's occupation or craft;
- The training is not normally provided by the business;
- The business will not substitute funds normally provided for training or funds obtained from another source with Business Training Grant Funds;
- There is a need for the skill upgrade provided by the training for the business to remain competitive in the industry or economy; and
- The skill upgrade provided by the training will:
    - Enhance the business's productivity, efficiency, or profitability;
    - Reduce employee turnover;
    - Enhance employee effectiveness; or
    - Enhance employee wages.

Financial Incentives

Business Ready Community Program

This Program provides grant and loan funding for infrastructure in support of primary economic and educational development. Six types of projects are eligible:

- Business Committed Projects – infrastructure to facilitate the start up, retention, expansion, or location of a specific committed business. Maximum award is $1.5 million with a 10% match.
- Managed Data Center Projects – infrastructure to improve the development or expansion of data generation and information technology storage. Maximum award is $2,250,000.
- Community Readiness Projects – no specific business is committed to expand or locate in the community. Infrastructure to prepare a community for future business development under a specific community plan. Maximum award is $1 million with a 15% match.
- Downtown Development Projects – Community Readiness Project located in a downtown or Main Street program area. Maximum award is $1 million with a 15% match.
- Community Enhancement Projects – infrastructure to improve aesthetics or quality of life to make a community attractive for business development. No specific business is committed to expand or locate in the applicant's community. Maximum award is $250,000 with a 50% match.
- Child Care/Senior Care Projects – infrastructure to facilitate the start up or expansion of a child care or senior care facility. Maximum award is $1 million with a 15% match.

Source: www.wyomingbusiness.org/