

Broome  
County  
Plan for  
Sustainable  
Economic  
Development



ASSESSMENT TWO

INCENTIVES INVENTORY

MARCH 2002



theBCplan.com



# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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*March 2002*

AngelouEconomics (AE) is pleased to present the Steering Committee of the Broome County Plan for Sustainable Economic Development (the BC Plan) with this **Incentives Inventory** of Broome County and its competitor regions. This document is one of several analytical documents that will drive the target industry selection, leading to specific recommendations for marketing and implementation strategies for Broome County.

AngelouEconomics collected and reviewed all available incentive programs in Broome County to compare the adequacy of those incentives vis a vis its competitor communities.

All BC Plan reports, as well as much of the additional research underlying them, will be made available online at [www.theBCplan.com](http://www.theBCplan.com). Thank you for your interest in the BC Plan.

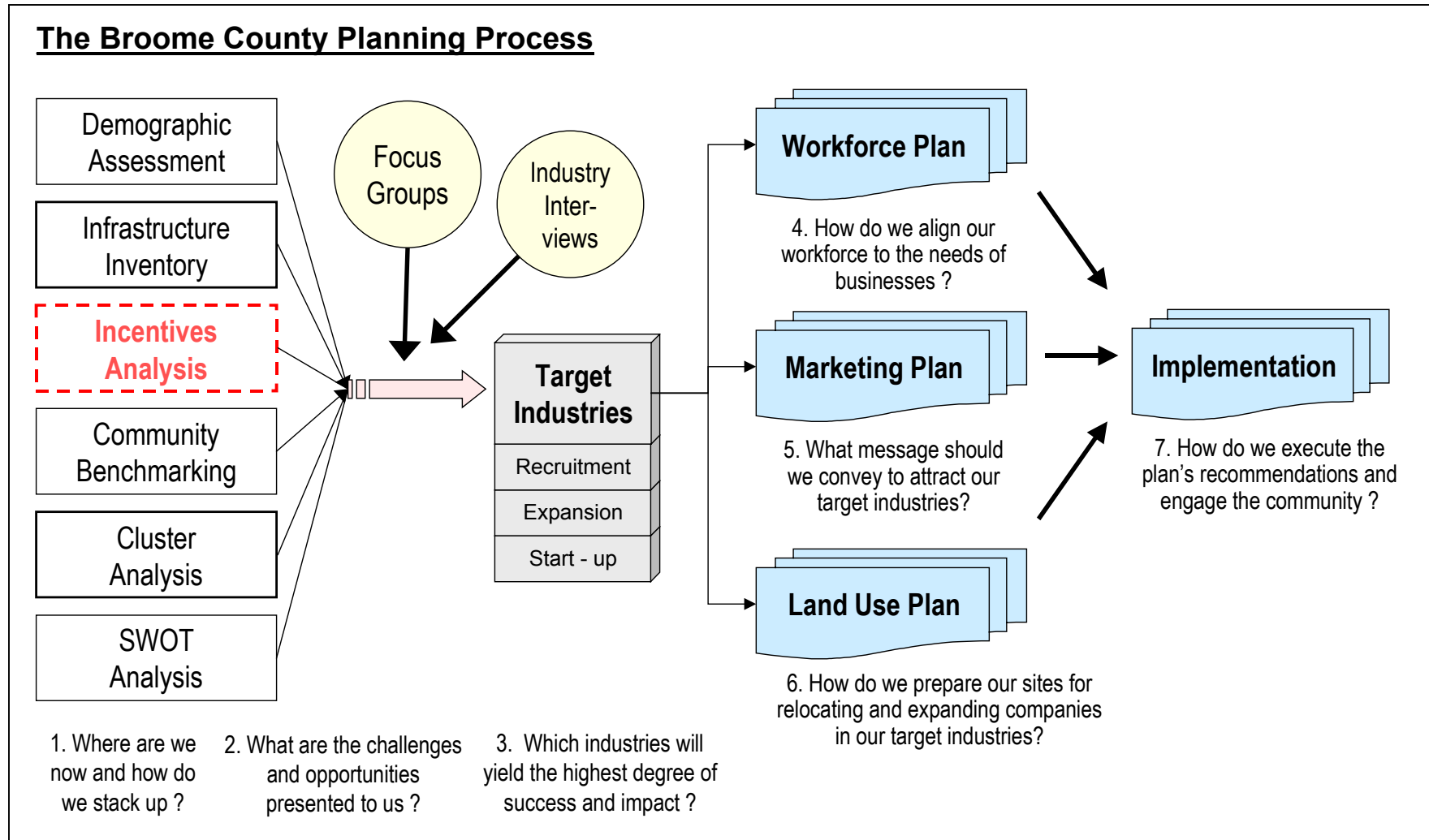


Angelos Angelou, Principal  
AngelouEconomics

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

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This report will support the target industry selection, driving the final planning documents as shown below:



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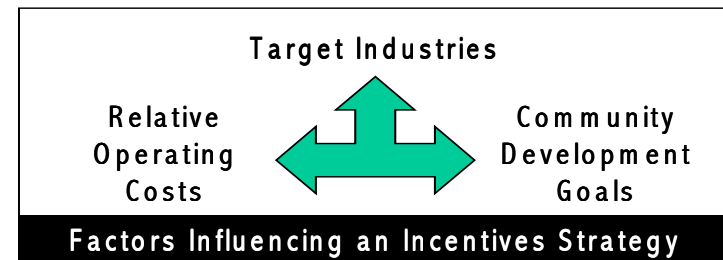
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### Background

Incentives are an important component to every economic development strategy. Incentives seek to improve a community's competitiveness by adjusting the bottom line for relocating companies that may experience a high tax burden or high operating costs (land, building, labor) relative to other communities. Incentives are often used to upgrade a community's resources, including workforce skills, site availability, or even R&D activity. To some industries, incentives make or break a site selection decision (high capital intensive industries). Others require minimal incentives, but place greater weight on a community's ability to support their workforce (software and service firms). In many cases, incentives help create a favorable business climate or overcome a psychological barrier about a community's desire for economic development and growth. Many local and state governments would like to do away with incentives, but as long as there is a desire by some regions to incentivize economic development, incentives become a necessary competitive tool.

An incentive strategy should not be a one-size-fits-all proposition. Successful incentives programs in the U.S. are often tailored to specific industries. Not only does this customization provide maximum value to prospective employers, but it makes a loud statement about a community's understanding of the unique needs of the industries it desires to attract. A successful incentives strategy must consider:

- the industries that will be targeted,
- the operating costs of those industries relative to key competitors, and
- overall community development goals such as job creation and skills development.



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This report contains a summary of the most significant incentives offered to industrial clients in Broome County, including:

- Tax Credits and Abatements
- Financing and Grants
- Sales Tax exemptions
- Utility Inducements
- Enterprise Zones
- Workforce Training Assistance

Incentives in these categories heavily impact the operating costs of a company. Communities may also offer a variety of additional incentives that are not included in this report, such as ones related to:

- Low-income / Welfare Hiring
- Pollution / Renewable Energy
- Specialty Industries
- Export Assistance
- Defense / Technology Transfer
- Foreign Trade Zones
- Standard Government Workforce Programs

When communities compete for corporate investment, prospective employers estimate the long-term operating costs in each considered location. They will calculate how available tax credits, grants, abatements, utility inducements, and enterprise zone benefits will affect their profitability over the life of the project. Communities whose major incentives do not offset other site, economic, or workforce deficiencies will be eliminated from the decision making process.

Understanding how major incentives in New York State and Broome County compare to their competitors' incentives is the primary focus of this report.

In addition to incentives offered by Broome County and the State of New York, AngelouEconomics presents a review of major incentives available in neighboring and competitor regions:

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- Dutchess County, New York
- Lackawana County, Pennsylvania
- Burlington, Vermont
- Portland, Maine
- Charlottesville, Virginia

AngelouEconomics regularly researches incentives available in communities across the U.S. and world for our corporate clients. The information presented in this report is intended to provide an overview of how economic development is incentivized in communities similar to Broome County. Some of the research may be considered “best practices” in the field, and more research may be warranted prior to specific action is taken by Broome County officials and modifications are made to existing policies.

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### Executive Summary

Regions successful in economic development understand the relationship between the incentives they offer and the economic impact of the businesses attracted to the communities. Incentives are valuable when their cost is less than the resulting long-term economic benefits.

One purpose of the BC Plan is to identify several target industries for the community – industries which will build off of the communities' existing strengths and poise the region for future waves of industrial innovation and growth. No community is perfectly suited for its target industries. Deficiencies in land availability, infrastructure capacity, or workforce skills, for example, may inhibit Broome County's ability to compete. Creative inducement packages designed to entice the region's target industries will help Broome County recruit new investment and overcome any current issues.

Overall, Broome County does not lack incentives in order to be competitive. Specific findings of this report are:

- 1. Both Broome County and New York have adequate incentives.**
- 2. Incentives offered in Broome County are not target industry focused.**
- 3. Most communities examined in this report rely heavily on state-sponsored incentives.**
- 4. Marketing of Broome County's incentives is lacking.**
- 5. Tax increment financing exists in the state of New York, but is rarely used as a development tool.**
- 6. Criteria for creating high value-added jobs is lacking in most communities' incentive strategies.**
- 7. Most states, including New York, offer additional discretionary incentives.**
- 8. Most incentives available in Broome County derive from the Broome County Industrial Development Agency (IDA) or State of New York.**

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### Incentives Strategy Guidelines

AngelouEconomics suggests that Broome County consider creative ways to **enhance** its current incentive policies that support the County's economic development goals, which may include the following:

- An emphasis (greater incentives) on targeted industries
- An emphasis on high value-added (high paying) jobs
- A simple structure and application process, with clearly stated goals
- Greater incentives to existing companies (preferential treatment)
- Reduced or no incentives for non-targeted industries (state law permitting)
- Incentives must be customized i.e. accelerated property depreciation for high capital intensive investments or special incentives for non capital intensive industries such as software development
- Assistance for entrepreneurial development
- Policy must be reviewed every 2 to 3 years against stated goals

**AngelouEconomics recommends that Broome County begin the process of focusing its incentives to targeted industries to the extent state law allows. This may involve amending the County's uniform incentive policy.**

Although Broome County offers an aggressive incentive package that is standard to most industries, "soft" inducements will have to be considered to entice high-impact businesses to Broome County. While many regions in the U.S. offer high dollar incentives, particularly cash grants, to attract high profile companies, we do not recommend this approach to Broome County. A combination of community initiatives in workforce training and readiness, business climate improvements, strategic infrastructure investments, and quality of life improvements will best increase the attractiveness of Broome County to new companies.

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Specific incentives and “soft inducements” will be recommended as part of the **Marketing Plan** after Broome County’s target industries have been identified and agreed upon.

### **The Goal of a Targeted Inducement Strategy: High Impact Businesses**

High capital-intensive projects accrue significant benefits to the communities in which they locate. These benefits range from high wages to increased property, sales, and income tax revenues. Typically, large employers also tend to boost revenues for local philanthropic and civil & service organizations. Increases in personal income permeate throughout all segments of the local economy and generate a high economic impact. Many intangible benefits are equally as important, such media coverage, prestige and educational excellence and intellectual capital. For these reasons, so many regions throughout the U.S. aggressively compete to attract high impact corporate investments.

In return, these prospective employers place considerable incentive demands on the communities that they consider for a location. At a minimum, these incentives include the following:

- 10-20 year tax abatement on property and equipment
- Accelerated depreciation for facility and equipment
- 10-20 year sales tax sharing agreements
- Waiver of sales tax for consumables, building materials and equipment
- 10-20 year income tax holidays/credits for investment and R & D
- Utility rate discounts
- Relocation assistance grants
- Low interest loans
- Expedited development process
- Infrastructure improvements in transportation and utilities
- Waiver of all development and licensing fees
- Investment in educational programs and training
- Labor training grants
- Free land or heavily discounted leases

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### **Best Practices**

Economic development incentives is an ever-evolving field. Communities must continually monitor incentives packages that are offered by their competitors. The following are a sample of “best practices” in economic development incentives:

Round Rock, Texas: The City offers cash grants based on creation of new jobs. Applies to high paying jobs from targeted industry sectors.

Nashville, TN and Fort Worth, TX: Both cities offer sales tax sharing agreements to induce sales tax generating economic development (Dell Computer)

Portland, OR: The City limits property tax liability to the first \$100 million of investment (SIP Program).

Phoenix, AZ: The City and State have the best depreciation schedule for high capital intensive projects.

Florida University R&D program: The State will invest a company’s tax payments to R&D programs in the state’s higher education institutions. The company chooses to direct its tax liability in sales or income tax (in cash or in-kind contributions) to the R&D that it chooses to do collaboratively with educational institutions. In addition, the state matches this investment dollar for dollar. A similar program exists in Brazil.

Montreal, Canada: Has the best government passive-ownership participation of up to 50 percent of capital investment for semiconductor projects.

Ireland: Offered a 10 year tax holiday. This program is coming to an end now. Large incentives are still available, including a low corporate tax rate and 100 percent depreciation of investment made in the first year, and 5-year straight-line depreciation for subsequent investments.

Singapore: The best use of a government-owned venture capital fund. This \$3 billion program invests in promising US technology startups that will utilize labor or business expertise from Singapore.

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Portugal: Best labor training program for the semiconductor industry. The government will train up to 200 electrical engineers and loan them to semiconductor companies for one year.

Carinthia, Austria: Government underwrites the cost of insurance to guarantee angel or venture capital for up to 10 years for targeted industries. If the start up fails, the government will reimburse invested capital up to \$1.2 million dollar per investor. This is a \$50 million program.

Austria: Best water or wastewater incentive. Customers are charged on a per sq. ft. of facility basis rather than actual use.

Austin Energy: Best energy package incentive. This city-owned utility will maintain and equip HVAC systems for large users with long term rate contracts.

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### Commonly-used Incentives and Inducements

Property Tax Abatements	Corporate Income Tax Credits	Sales/Use Tax Exemptions
Land & Buildings Machinery & Equipment Pollution Control Equipment Inventories Payments-in-Lieu of Taxes Accelerated Depreciation	Job Creation Investment level R&D Expenditures Workforce Training	Machinery & Equipment Pollution Control Energy/Fuels Building Materials Inventory
Project Financing	Site Preparation	Infrastructure / Utilities
Lease-back Agreements Industrial Bonds Tax Increment Financing Investment Grants Loan Funds Land Acquisition State Discretionary Pool Funds	Free Testing/Environmental Review Zoning/Covenant Variances Clearing / Grading Drainage Infrastructure Permit/Building Fee Waivers Pre-permitting	Utility Extensions Capacity Investments Rail Extensions Road Improvements Reduced Utility Rates Dual Feed Availability
Worker Preparation	Relocation Assistance	Misc. Inducements
Customized Training Curriculum Improvements Professional Hiring Assistance Executive Headhunters Chamber Hiring Assistance Blind Ad Placement/Testing	Elected Official Availability Relocation Volunteer SWAT team Staff Relocation Assistance Community Guidebooks Orientation Events Locals Trained on Foreign Cultures	Transition Space Local Discounts/Assistance Special Air Fares Reduced Hotel Rates In-State Tuition

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### Broome County Findings

Like many states in the northeast, New York offers state-sponsored incentives that seek to significantly reduce state corporate income taxes and local property taxes. For many areas of the state, including Broome County, relocating companies are offered a heavily reduced tax environment in which to invest.

With IDA assistance, the local tax burden can be reduced significantly and up-front investment grants may be obtained from the state of New York for targeted projects. Broome County IDA projects receive local property taxes abated up to 75 percent for the first five years (declining over the next 10) and tax-exempt status on financing. State tax credits (e.g. investment, job creation, R&D) can reduce the state corporate income tax rate from 7.5 percent to the Alternative Minimum Tax rate of 2.5 percent. If the project is located in an Empire Zone, local property taxes are abated 100 percent for 7 years (declining over the following 3), and additional state tax credits can further reduce income tax liability, with no minimum tax rate.

In addition to job creation grants, the State of New York offers cash assistance to communities on a discretionary basis. These funds can be earmarked toward infrastructure improvements and cost of capital outlays for the project. Broome County was the recent recipient of a sizeable cash grant for a technology company, and special provisions were made to extend the Empire Zone program into the project's site.

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### Competitor Comparisons

This report provides an inventory of state and local incentives in Broome County and several similar-profile communities:

- Dutchess County, New York
- Lackawana County, Pennsylvania
- Burlington, Vermont
- Portland, Maine
- Charlottesville, Virginia

All regions examined in this report, including Broome County, make aggressive use of incentives to induce economic development. To a large extent, incentives are viewed by these communities as a necessary corporate recruitment tool. Yet incentives offered in the U.S. still pale in comparison to incentives offered in other countries, both developed and developing.

Most of the incentives offered by communities examined here are state-sponsored with some local participation. Most communities offer corporate income tax credits and some property tax abatements. Overall, the incentives offered in Broome County and the competitor communities examined in this report lack an emphasis on high value added jobs, as most place, at best, minimum wage requirements on incentives eligibility. Most incentives focus on a “one size fits all” approach and lack any sensitivity to specific industry sectors. Unfortunately, many states’ laws enforce this approach so as to not discriminate among taxpayers.

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Several conclusions can be drawn when examining the incentives offered within these communities:

- **Most communities provide capital investment and job creation incentives that aim to reduce corporate income tax liability.** All states set limits on this corporate tax reduction, but several have specially designated areas (Empire Zones, Opportunity Zones, etc.) that can achieve a corporate tax reduction of 100 percent.
- **Most States can provide some level of cash grants to top relocation projects.** Pennsylvania’s Opportunity Grant Program provides cash grants for capital investment, and companies located in an Enterprise zone enjoy a tax credit of up to 20 percent for projects involving the improvement of buildings and land. **New York** offers investment grants on a discretionary basis. Virginia has a Governor’s Opportunity Fund to “tip the balance” in a site selection decision. Few states advertise their stance on these discretionary funds, but the perception is that the right projects will get the assistance required.
- **Among the communities examined here, only Maine offers formal accelerated depreciation schedule.** Accelerated depreciation is a strong tool for economic developers recruiting high tech businesses. Manufacturers in the semiconductor, telecommunications, and biotech industries have high equipment costs. Several regions targeting these large investors offer accelerated depreciation schedules for equipment used by these operations. The tax savings between a 3-year and a 10-year depreciation schedule for some companies, for example, can be in the tens of millions of dollars.
- **Virginia** has elected to specifically target technology companies, and as a result has created **Technology Zones** in addition to Enterprise Zones. Companies locating in these zones are not only eligible for significant property tax incentives, but also receive grants for three consecutive years of up to \$500 per job (\$1,000 if a zone resident fills a job). In **Maine**, companies that invest at least \$5 million in the state and create 100 new above average wage jobs within 24 months qualify for an income tax credit not to exceed \$500,000 annually. **Vermont** offers payroll

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reimbursement and job training grants for targeted occupations and **Pennsylvania** companies receive a \$1000 tax credit for job creation.

- **Research and Development tax credits are becoming increasingly used.** These credits are a strong tool for bringing innovation and technology into a region. Recently, communities have begun using R&D tax credits to encourage public-private partnerships, such as providing higher tax credits for companies outsourcing R&D to local universities. These programs offer a new direction for incentives, creatively structured to link companies closer their communities while developing a knowledge infrastructure within the region. In **Broome County**, a credit of 9 percent against the corporation franchise tax (or 7 percent against the personal income tax) is available for investment in property used for research and development in the experimental or laboratory sense. **Vermont** offers an R&D credit of 10 percent against income tax. **Maine** provides a 5 to 7.5 percent state income tax credit to companies whose R&D investment is above the state average.

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### Summary Table of Competitor Incentives

	New York			Pennsylvania		Vermont		Maine		Virginia	
	State	Broome*	Dutchess*	State	Lackawana	State	Burlington	State	Portland	State	Charlottesville
<b>Tax Credits/Abatements</b>											
Corporate	yes	--	--	yes	no	yes	--	yes	--	yes	--
Property	--	yes	yes	--	yes	yes	yes	--	yes	yes	yes <sup>1</sup>
Sales/Use mftg exempt	yes	yes	yes	yes	yes	yes	--	yes	--	yes	no
Sales tax sharing	no	no	no	no	no	no	--	no	--	no	no
Accel. depreciation	no	no	no	no	no	no	no	no	yes <sup>1</sup>	no	yes <sup>1</sup>
<b>Tax-free Enterprise Zones</b>											
Corporate	part	--	--	full	full	--	--	--	--	part	--
Property	--	full	part	full	full	--	--	--	--	n/a	--
Sales/Use mftg exempt	full	full	full	full	full	--	--	--	--	part	--
<b>Financing</b>											
Industrial Bonds	yes	yes	yes	yes	no	yes	no	yes	no	no	yes
Revolving Loan Funds	no	yes	yes	yes	no	no	no	no	no	yes	no
Loan Guarantees	no	no	no	yes	no	no	no	no	no	yes	no
Lease-back agreements	yes	yes	yes	yes	yes	yes	no	yes	no	no	yes
<b>State Utility Incentives</b>	yes	yes	yes	no	no	no	no	no	no	no	no

<sup>1</sup> in some areas, for certain capital-intensive industries

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### New York State

#### Summary

Most of the incentives available in New York are available from the state and are directed toward corporate income tax reduction. The New York State corporate income tax was recently reduced to a flat 7.5 percent from 9 percent in 1999. Much of the tax burden in New York State is placed on the wage earner, where individual income tax payments account for 55 percent of total state tax revenue (the 3<sup>rd</sup> highest in the nation). While tax credits are available to both corporations and sole proprietorships, most large credits are targeted toward projects that represent significant increases in investment and job creation.

New York State corporate income tax credits are available for a variety of activities, including facility construction, job creation, equipment purchases, R&D, and worker training. Businesses can apply for any number of credits, but all corporations must pay the Alternative Minimum Tax on income, currently 2.5 percent.

The state-sponsored Empire Zone Program offers the most significant incentives to businesses. There are Empire Zones located across much of the state. Most EZs include 100 percent abatements on state and local taxes, and no minimum tax rates apply. Empire Zones represent the largest incentives available to relocating companies.

In addition to income tax credits, the State exempts certain qualifying businesses from sales taxes for equipment and construction purchases: technology (computer hardware, data centers, telecom), manufacturers, and R&D. To our knowledge, sales tax sharing agreements are not offered in New York State.

Tax Rates	New York		
	State	Broome	Dutchess
Corporate Income Tax	7.5 %	--	--
Property Tax	--	3.0 - 3.5 %	3.0 - 3.5 %
Includes equipment?	no	no	no
Sales Tax	4 %	4 %	4 %

Tax Incentives Available	New York		
	State	Broome	Dutchess
Corporate income	yes	--	--
Property	--	yes <sup>1,2</sup>	yes <sup>1,2</sup>
Sales/use exemptions	yes <sup>1</sup>	yes <sup>1</sup>	yes <sup>1</sup>
Sales tax sharing	no	no	no
Accelerated depreciation	no	no	no

<sup>1</sup>Empire Zones

<sup>2</sup>IDA-related projects

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Property taxes are levied at the local level and only apply to real property (buildings and land, not equipment). Local jurisdictions are able to abate these taxes at their discretion up to 50 percent.

For some projects, the state provides discretionary funds to reduce the capital investment requirements for relocating industry. These funds often are directed toward utility upgrades at the site. A recent project in Broome County received a sizeable state cash infusion, as did a project in neighboring Tioga County.

### **Overview of Major Tax Credits**

#### Corporate Income: Investment Tax Credit (ITC)

The ITC applies to new investments in plant and equipment used in manufacturing, processing, refining, mining, farming, industrial waste treatment, air pollution control, and research and development processes. The qualifying property must have a useful life of over four years and must be obtained through purchase not lease. In addition, the property must be used over 50 percent of the time in actual production activities. The credit amounts to 5 percent of the first \$350 million in qualifying investments and 4 percent on all investment over this amount. The credit cannot bring the liability below the greater of the AMT (currently 2.5 percent) or the fixed dollar minimum. A new business may elect to take any credit as a refund. Existing businesses can carry the credit forward for 15 years.

#### Corporate Income: Employment Incentive Tax Credit

The EIC is available to businesses that qualify for an ITC and create jobs in New York State. The EIC is worth up to 2.5 percent for any increase above 3 percent of the base year of employment. The credit can be claimed over 2 years. The credit cannot be used to reduce a tax liability below the greater of the AMT or the fixed dollar minimum (currently \$1,000).

#### Corporate Income: Research & Development Credit

A credit of 9 percent against the corporation franchise tax (or 7 percent against the personal income tax) is available for investment in property used for research and development in the experimental or laboratory sense. Equipment must be kept in service for 4 years. The credit cannot reduce the liability below the AMT or fixed dollar minimum.

#### Corporate Income: Qualified Emerging Technology Credits

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The sales of a QETC company must be less than \$10 million annually and the ratio of R&D funds to new sales must be above the average ratio for all companies. An employment credit of \$1,000 per new full-time employee is available for one 3-year period. Unused credits can be carried forward indefinitely; new businesses (NY taxpayers for less than 6 years or 8 years if business is subject to federal regulatory approval) can take a refund of unused credits.

A company is allowed an investment tax credit that varies based on the length of time the investment is held. The credit equals 10 percent of qualified investments up to a total of \$150,000 held for at least four years following the year the credit is first claimed, and 20 percent of the investment up to \$300,000 for investments held at least nine years. The credits have an unlimited carry-forward, but cannot reduce the tax liability below the AMT or fixed dollar minimum tax. In addition, the company may elect to claim a one-time deferral of capital gains from the sale of an investment in a QETC company if that is reinvested in another QETC company or a venture capital fund.

### **Sales Tax Exemptions for Manufacturers**

The state of New York offers the following exemptions for technology, manufacturing, and R&D activities:

- any computer system hardware used to design and develop computer software for sale
- machinery and equipment used directly and predominantly (more than 50 percent) in manufacturing
- machinery and equipment used for and/or experimental or laboratory research and development.

### **Sales Tax Sharing**

To our knowledge, sales tax sharing agreements are available by law to the state or local jurisdictions.

### **Property Tax Abatements (Local Only)**

Commercial and industrial facilities constructed or reconstructed outside of New York City may be eligible for a partial exemption from the real property tax levies by counties, cities, towns, villages and/or school districts. Local jurisdictions have the option of offering the abatement to specific industrial or commercial sectors and/or specific neighborhoods or zones. They may also reduce the percentage of the exemption or alter the abatement schedule.

See sections “Broome County” and “Dutchess County” for more on this issue.

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### **Accelerated Depreciation**

To our knowledge, New York and its local jurisdictions do not allow accelerated depreciation of specific capital stock (e.g. semiconductor equipment) for the purposes of property or income tax calculations.

### **Financing and Grants**

#### Industrial Development Bonds

The Empire State Development Corporation oversees the issuance of debt for the Job Development Authority. Every community in New York State is also under the direction of a local Industrial Development Authority (IDA) that also has the ability to levy bonds. These Authorities issue both taxable and tax exempt bonds to finance companies to construct or expand facilities and acquire machinery and equipment. Projects that utilize IDA financing are not subject to state sales tax.

#### State and Local tax rebate: Job Creation Grant

A Job Creation Grant is intended to act as a rebate against any state or local taxes paid by a company eligible for the “Jobs Now” program, for employers that create 300 or more jobs. The grant will be paid periodically, proportionate to the number of new jobs created. The grant may not exceed 50 percent of the actual New York State income tax withheld from the salaries of the newly hired employees connected to the Jobs Now project.

#### Investment grants: Capital Grants and Loan Program

In an effort to reduce the significant capital investments generally involved in Jobs Now projects, capital grants and loans are available to help defray the costs of the purchase of machinery and equipment, new construction, renovation or leasehold improvements, infrastructure improvements (including drainage systems, sewer systems, access roads, water supply systems), demolition, site clearance and preparation, and the soft costs related to the project including legal expenses; appraisal costs; design, architectural and engineering fees; and others. The maximum amount of assistance will generally not exceed \$10,000 per job created by the project. Capital grants and loans are determined on a case-by-case basis.

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### Utility Inducements

#### Reduced rates: Power for Jobs Program

The New York Power Authority (NYPA) can provide low-cost electricity to businesses across the State in consideration of commitments to retain or create jobs. NYPA has other sources of low-cost power for business development as well. Hydroelectric power generated at its Niagara Power Project is some of the most inexpensive electricity in the world. NYPA works together with the New York State Economic Development Power Alliance Board (EDPAB) to award competitively priced power to qualifying businesses. Eligible projects are those that demonstrate significant economic development potential for expansion, retention, or revitalization purposes. *The program is available to businesses already in New York State.* The program currently has 700+ megawatts of low-cost electricity under management. Businesses in the program are expected to save 10 to 25 percent. The program has been viewed as a success and has offered low-cost electricity to 434 businesses and not-for-profit organizations since its inception in early 1998.

#### Economic Development Incentivized Rates

To maintain and grow their customer base, many New York State utility companies offer energy discounts to eligible businesses in their service territories for job retention, attraction, and expansion. Negotiated "flexible rates" are available from several major electric and gas utilities that offer reduced rates to business customers with alternative economic energy options, including self-generation, non-utility purchased power, direct natural gas pipeline access, and relocation to other utility service areas. Empire Zone Rates are reduced electric and gas rates offered by several electric and gas utilities to businesses locating or expanding in many of the State's 52 Empire Zones.

#### State Business Retention Incentive (BRI)

Provides a reduction from the normal tariff rate on a per kilowatt-hour basis to current New York State businesses in conjunction with business incentives offered by state and local development organizations through a New York State-administered program.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Refundable Sales Tax on Utilities

An industrial or manufacturing business (IMB) is allowed a refundable credit for specified energy taxes paid by or passed through to the IMB on or after Jan. 1, 2000, but only with regard to gas, electricity, steam, water, and refrigeration consumed by the IMB in New York State.

### **Training Assistance**

Worker training grants are available for full or partial reimbursement of the costs to eligible businesses for providing employee training in connection with the expansion or attraction project. This includes work force recruitment, skills training and/or upgrading, productivity enhancement, and total product/service quality improvements. Maximum grant amounts are determined on a case-by-case basis, but generally do not exceed \$10,000 per job created. Eligible applicants must be a private business involved in industrial, manufacturing, warehousing and distribution, research and development, high technology, service, and other non-retail commercial enterprises. All new jobs must be created within 3 to 5 years of the project completion.

### **Permitting Assistance**

The "Build Now-NY" program lists pre-qualified, permitted sites that are "shovel ready" for new business.

### **Infrastructure Financing**

#### Transportation Access: New York State Industrial Access Program

This program is designed to complement economic development projects where transportation access is a component of the overall viability of the project. Economic development professionals from Empire State Development, working with the appropriate Regional Program Coordinator of the New York State Department of Transportation, will assist the sponsors of the project with the application and awards process. Municipalities, industrial development agencies or other governmental agencies involved in economic development are eligible Industrial Access Program applicants. In the case of a private corporation, a State agency or industrial development agency must sponsor the project. All eligible applicants must file with the Regional Director of the New York State Department of Transportation on behalf of the non-government entity.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Environmental Compliance and Clean-up: Industrial Finance Program (IFP)

For more than 20 years, EFC has administered the Industrial Finance Program (IFP), which provides tax-exempt loans to businesses across the State to support their efforts in achieving environmental compliance and protecting our natural resources. The types of projects supported through the IFP are as diverse as its participants and include solid waste management, sewage treatment, resource recovery, inactive hazardous waste site remediation (brownfields), hazardous waste disposal, and water supply and management.

The flexibility of IFP financing makes it well suited for brownfield development and the privatization of environmental activities currently handled by public entities.

The IFP finances projects through the sale of EFC's special obligation revenue bonds. The interest on IFP bonds is often exempt from Federal, State, and local income taxes, which results in lower interest rates for the participant than would be available through a private lending institution. When projects or parts of projects do not qualify for tax exemption, IFP can arrange financing utilizing taxable bonds.

Bonds issued through the IFP are not obligations of the State of New York. The only sources of repayment for these bonds are project revenues and the guarantees offered by corporate clients. IFP has successfully lent over \$546 million in industrial revenue bonds through the end of Fiscal Year 1997.

IFP loan funds may be used for a variety of purposes related to a project, including construction of capital facilities, land purchases (though not solely for the purpose of land acquisition), engineering, equipment purchases, and other costs of environmental compliance.

### **Empire Zones**

Qualified Empire Zone Enterprises (QEZEs) are eligible for sales tax exemption, real property and business tax credits for businesses locating and expanding in such zones. The purpose of the Empire Zones Program is to give companies an almost "tax-free" basis for up to 10 years, with additional savings available on a declining basis in years 11 through 15.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Corporate Income Tax Credits

**Real Property Tax Credit:** Qualified Empire Zone Enterprises are allowed a refundable credit against business or income tax equal to a percentage of real property taxes paid in the zone.

**Tax Reduction Credit:** Qualified Empire Zone Enterprises are allowed a credit against business or income tax equal to a percentage of taxes attributable to the zone enterprise.

**Wage Tax Credit:** This credit is available for up to 5 consecutive years for companies hiring full-time employees in newly created jobs. For employees in special targeted groups, this credit equals \$3,000 per year, with a credit of \$1,500 per year effective 1/1/2001, for all other new hires.

**Investment Tax and Employment Incentive Credits:** Businesses that create new jobs and make new investments in production, property, and equipment may qualify for tax credits of up to 19 percent of the company's eligible investment.

**New Business Refund:** Businesses new to New York State are entitled to a 50 percent cash refund of unused EZ-WTC and ITC amounts. Other businesses may carry forward unused credits indefinitely.

**Zone Capital Credit:** A 25 percent tax credit against personal or corporate income taxes is available for contributing or purchasing shares in a zone capital corporation; or for a direct equity investment in a certified zone business; or for contributions to approved community development projects within an EZ.

### Sales Tax Exemptions

Qualified Empire Zone Enterprises (QEZE) are granted a 10-year exemption from State sales tax on purchases of goods and services (including utility services) used predominantly in an Empire Zone. Local is optional. Purchases of building materials to be used for commercial or industrial real property located in an EZ are eligible for a refund or credit of NYS sales taxes. A similar refund or credit of local sales tax may also be available from the locality.

### Reduced Utility Rates

Many utilities offer certain EZ-certified businesses gas and electric rate reductions in the range of 3 percent to 60 percent for new load. Telephone rate reductions of 5 percent are also available to EZ businesses on intrastate and intralata

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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charges that use Bell Atlantic or GTE. Telephone rate reductions of 5 percent are also available from Bell Atlantic and Citizens Telecom. To qualify, eligible EZ businesses must create new jobs or make an investment in the EZ.

### Broome County

Broome County benefits significantly from state-sponsored incentive programs and utilizes an aggressive property tax abatement incentive for relocating IDA-sponsored companies.

#### Financing

##### Industrial Development Bonds

The Broome County Industrial Development Agency (IDA) administers industrial development bonds for manufacturing-related expansion projects that anticipate fixed asset financing in excess of \$1 million. The IDA can make sub-prime tax-exempt loans for a 15-20 year term for the purchase of real estate and charges an issuance cost of 3 to 4 percent of the total loan amount.

##### Lease-back Transactions

The BCIDA may also offer relocating companies a simple sale/lease-back agreement between the project sponsor and the BCIDA.

##### Revolving Loan Funds

Local Development Corporations (LDC's) in Binghamton and the Town of Union offer low-interest loans to relocating or expanding businesses that are able to create jobs for low to moderate-income persons. The Binghamton LDC's Revolving Loan Fund Program offers loans of up to 30 percent of the total project cost to a maximum of \$100,000, as well as a Micro Enterprise Loan Program for loans of up to \$10,000. Both loans are at a fixed 6 percent interest rate (4 percent if located in the Empire Zone).

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### **Tax Credits and Abatements**

#### Property Tax Abatement

Broome County offers 15-year tax abatement on increased assessment as a result of renovation or construction projects financing or assisted by the IDA. This is a declining abatement: 75 percent abated for the first 5 years, 50 percent for the next 5 years, and 25 percent for the last 5 years.

For projects located within an Empire Zone, Broome County offers a 100 percent abatement of property taxes. Some flexibility exists in extending the Empire Zone program to new sites.

#### **Sales Tax Exemptions for Manufacturers**

Broome County offers sales exemptions for materials in the construction of facilities relating to technology, manufacturing, and R&D activities.

#### **Empire Zone Sales Tax Exemptions**

A sales tax refund applies to tax paid on purchases of building materials used in renovation and/or new construction of commercial or industrial buildings in the zone. This Sales Tax Exemption also applies to New York state sales tax (not Broome County) for tangible property purchased for business operations, including office supplies, computer and company vehicles.

#### **Utility Incentives**

##### Electric Rate Discounts

A discount on electricity is available from NYSEG for customers seeking to expand or locate in NYSEG's service territory. Negotiated rates are available for most industrial and high load factor customers.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Dutchess County

Many of the developable sites in Dutchess County are located in Empire Zones. Dutchess County offers only a partial property tax abatement in its Empire Zones, typically 50 percent.

#### Industrial Bonds

The Dutchess County Industrial Development Authority (IDA) administers industrial development bonds for manufacturing-related expansion projects in excess of \$10 million (a larger amount than Broome, according to their website).

#### **Discounted Electric Rates**

A discounted electric rate is available to any new customer served off CH Energy Group's transmission or substation system with a demand of at least 500 kW. The customer receives a 25 percent discount during the first 6 years of the project, falling to zero by year 11.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

### Pennsylvania / Lackawana County

#### Summary

With its Keystone Opportunity program, the state has significant acreage for development that is virtually free of local and state sales taxes. Most of the state's incentives are based on this program. Opportunity grants are available for large projects in manufacturing, industrial, R&D, agricultural processors, traded services, and national or regional headquarters, up to 20 percent of the capital investment.

#### Overview of Major Tax Incentives

All Taxes: Keystone Opportunity Zones

The state of Pennsylvania currently has over 37,000 acres of developable land that are nearly or completely free of local and state taxes for up to 12 years. These zones have been designated by local communities, approved by the state, and require the participation of all state and local taxing jurisdictions.

Lackawana County currently has 4,600 acres in 9 zones.

Corporate/Franchise: Job Creation Tax Credits

Job Creation Tax Credits are available for eligible businesses that, within three years, create 25 or more jobs or increase employment by 20 percent. Every new full-time job will result in a \$1,000 tax credit that businesses can use against most business taxes.

Tax Rates	Pennsylvania	
	State	Local
Corporate Income Tax	9.99 %*	--
Gross Receipts Tax	yes	yes
Property Tax	--	0.7 - 1.0 %
Includes equipment?	no	no
Sales Tax	6 %	--

\*Some buieinsses can be treated as S-corporations and taxable at the 2.8 personal rate

Tax Incentives Available	Pennsylvania	
	State	Local
Corporate income	yes	no**
Property	--	yes
Sales/use exemptions	yes	yes
Sales tax sharing	no	no
Accelerated depreciation	no	no

\*\*Opportunity zones are abated 100%

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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Corporate/Franchise: R&D

Tax credits for investment in R&D are available.

### **Sales Tax Exemptions**

Special technology and manufacturing equipment is exempt from sales taxes: manufacturing equipment, utilities used by manufacturers, industrial materials, R&D, and custom software.

### **Sales Tax Sharing**

No sales tax sharing is available in Pennsylvania.

### **Financing and Grants**

Investment and Job Creation Grants: Opportunity Grants

The Opportunity Grant Program provides cash grants for machinery and equipment, working capital, job training, infrastructure, land and building improvements, and environmental assessment and remediation. Eligible firms are manufacturing, industrial, R&D, agricultural processors, traded services, and national or regional headquarters. Projects must create at least 100 jobs at 150 percent of the state minimum wage. Grants will match \$1 for every \$4 invested. Grant averages \$1000 per job created, up to \$1500.

Industrial Development Bonds

The Pennsylvania Industrial Development Authority (PIDA) provides tax-exempt and taxable industrial revenue bonds to expanding or relocating businesses by issuing bonds and making loans to finance land, equipment, and buildings with interest as low as 85 percent of prime and loan terms up to 30 years. Minimum loans are \$400,000 and can go up to 50 percent of project cost.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Loan Guarantees

The Pennsylvania Capital Access Program (PennCAP) is a loan guarantee program for land, buildings, equipment, and working capital for up to \$500,000. Rates and terms are negotiated with the participating PennCAP bank.

### Revolving Loan Funds

The Machinery and Equipment Loan Fund (MELF) offers low-interest loan financing to acquire and install new or used machinery and equipment, or to upgrade existing machinery and equipment. Eligible sectors are manufacturing, industrial, agricultural processors, and direct mining operations. Loans are made up to \$500,000, or 50 percent of the total eligible project costs, whichever is less.

### **Job Training**

Critical Job Training Grant Program: provides funds to train employees in specific skills to meet an individual employer's needs up to 75 percent of the total cost of the training. The annual budget is \$24 million.

### **Enterprise Zones**

Corporate tax: Enterprise Zone Credit Program

Allows corporations a tax credit of up to 20 percent on investments to rehabilitate or improve buildings or land in an Enterprise Zone, up to \$250,000 per year per project.

## Lackawana County / Scranton

Most incentives available to businesses relocating to Lackawana County derive from state programs. Lackawana County currently has 4,600 acres in 9 Opportunity Zones, which offer tax-free status for a 12 year period. Its downtown district is an Opportunity Zone. The IDA also owns and leases a significant amount of space: 1.2 million square feet.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

### Vermont / Burlington

#### Summary

Most incentives for companies relocating to Vermont are offered by the State, primarily in the form of income tax credit for investments in manufacturing facilities, R&D, job training, and job creation. Firms may apply for only 3 of the tax credit programs, and total income tax liability can be reduced by up to 80 percent in any one year. Sales tax exemptions are available on building materials for manufacturing facilities. Sizeable job training grants are also available from the State.

Few local incentives are available except property tax abatements. Property taxes are levied by both the state and local jurisdiction to pay for statewide education programs. A property tax stability program is essentially a negotiated contract between a company and the state and local jurisdictions to reduce the property tax burden for a specific length of time.

#### Overview of Major Tax Incentives

Corporate Income: R&D Tax Credit

Vermont offers a Research and Development Tax Credit of 10 percent against income tax for qualified research and development expenditures, as defined by the IRS code.

Corporate Income: Job Training

Tax Rates	Vermont	
	State	Local
Corporate Income Tax	7.9 - 9.95 %	--
Property Tax	1+ %	varies
Includes equipment?	yes	yes
Sales Tax	5 %	--

Tax Incentives Available	Vermont	
	State	Local
Corporate income	yes	--
Property	--	yes
Sales/use exemptions	yes	--
Sales tax sharing	no	--
Accelerated depreciation	no	no

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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A Workforce Development Tax Credit is available in the amount of 10 percent of qualified training, education, and work force development expenditures.

Corporate Income: Job Creation / Payroll Tax Credit

A Payroll Tax Credit of between 5 and 10 percent of total payroll is available.

Corporate Income: Investment Tax Credit

Businesses may be eligible for a tax credit of 5 to 10 percent on investment in facilities and equipment if total investment is greater than \$150,000 per year.

### **Industrial Development Bonds**

Industrial bonds are available for use at the state level.

### **Job Training Grants**

The Vermont Training Program promotes manufacturing job creation by providing training grants of up to 50 percent for on-the-job, classroom, skills-upgrade, or other specialized training mutually agreed upon by the state and the employer.

### **Sales Tax Exemptions**

Building materials for the construction or expansion of manufacturing facilities are exempt from sales taxes above \$1 million for a three-year period. This threshold may be negotiated down to \$250,000.

## **Burlington**

Property Tax: Local Property Tax Stabilization Program

Local jurisdictions may enter into a tax stabilization agreement with a property owner for local property taxes. This is usually done in conjunction with a state property tax stabilization agreement.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

### Maine / Portland

#### Summary

The State of Maine aggressively incentivizes companies and works closely with local jurisdictions to reduce tax burdens based on performance measures. The most important incentive is the Business Equipment Tax Reimbursement Program, in which the state reimburses the company 100 percent of local property taxes for equipment. The State also offers several income tax credits based on jobs created, level of investment, or R&D activity. A unique state program offers a rebate to the employer on a percentage of the personal income taxes generated by new employers.

Local jurisdictions also offer property tax abatements for some projects through the use of Tax Increment Financing. The percentage rebated to the company is negotiated and typically reaches 50 percent. In conjunction with the state property tax reimbursement program, some companies can receive more tax rebates than they actually paid (effectively a cash grant).

Tax Rates	Maine	
	State	Local
Corporate Income Tax	3.5 - 8.9 %	--
Property Tax	--	2.5 %
Includes equipment?	yes	yes
Sales Tax	5 %	?

Tax Incentives Available	Maine	
	State	Local
Corporate income	yes	--
Property	--	yes
Sales/use exemptions	yes	--
Sales tax sharing	no	no
Accelerated depreciation	no	yes*

\*in some areas, for certain capital-intensive industries

#### Overview of State Tax Credits and Abatements

##### Property Tax: State Reimbursement of Local Property Taxes

The State of Maine can rebate up to 100 percent of local property taxes paid by targeted employers, with no limit.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Corporate income: Job Creation and Investment Credits

Companies that invest at least \$5 million in the state and create 100 new qualifying jobs within 24 months qualify for an income tax credit not to exceed \$500,000 annually. Qualifying jobs are those covered by group health insurance and a retirement program and have wages greater than the average annual per capita income in the labor market area in which workers are employed. The unused portion of a tax credit may be carried forward for a period of six years for a maximum seven-year tax credit of \$3.5 million.

### Corporate income: R&D Tax Credit

A research and development tax credit on state tax income credit is available on 5 percent of qualified research expenses that exceed average research expenses in Maine, as defined by the federal R&D tax credit, and a credit of 7.5 percent of basic research payments, defined by the federal credit. The super R&D credit applies to businesses whose qualified research expenses in the state exceed 150 percent of the average research expenses for the three taxable years prior to September 1997. The credit is equal to the amount of qualified expenses for the taxable year that exceed 150 percent of average expenses (subject to limitations).

### Corporate Income: Employment Tax Increment Financing

The State of Maine can reimburse a portion of the personal income tax paid by new employees to a project. This percentage averages 50 percent and can go up to 75 percent in areas of high unemployment. A typical project may receive a reimbursement of \$150,000 per year.

### Corporate Income: Early-stage Venture Investments Tax Credit

The Seed Capital Tax Credit Program provides investors with an income credit of 40 percent of investment in qualified Maine businesses. Credits must be used over a seven-year period and cannot exceed 50 percent of annual tax liability.

### **Industrial Development Bonds**

The Finance Authority of Maine (FAME), as well as municipalities in the state, issues bonds to provide tax-exempt financing for private businesses. The maximum maturity is 15 years. Proceeds may cover the cost of land, land improvements, utilities, buildings, engineering, architectural and legal fees, and machinery and equipment. Lease-backs

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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are also used for relocating companies. Currently a \$30 million bond will be offered for economic development related investments in spec buildings that could be leased back to targeted employers.

### **Loan Guarantees**

The Maine Small Business Loan Insurance Program insures up to 90 percent of a loan to a maximum loan insurance exposure of \$1 million. If the borrower is an eligible Maine veteran, FAME's maximum exposure increases to \$1.1 million. The Maine Commercial Loan Insurance Program insures up to 90 percent of a loan up to maximum exposure of \$7 million. Loan proceeds may be used for purchase of, and improvements to, real estate, machinery, and equipment.

### **Job Training**

The Maine Quality Centers, administered by the Maine Technical College System, provide customized education and training at no cost to relocating or expanding companies. The Governor's Training Initiative (GTI) reimburses qualifying Maine employers for a portion of their training and/or retraining costs.

### **Utility Assistance**

Central Maine & Power recently sold its generating capacity and is using the proceeds to cap its transmission and distribution rates for a 7 year period. CM&P also aggressively negotiates rates and frequently offers sizeable infrastructure investments such as substations to relocating companies.

*Example: CM&P recently invested \$4 million in infrastructure for a WalMart distribution center.*

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Portland

#### Local Tax Abatements

##### Tax Rebates: Tax Increment Financing

Local jurisdictions can negotiate a reimbursement of property taxes for relocating projects. TIFs are used aggressively for high impact projects and generally go up to 50 percent. Underdeveloped areas may rebate up to 90 percent, declining over 10 years.

*TIFs can be used in conjunction with the state-sponsored property tax reimbursement, so as to reimburse more to the company than was actually paid.*

#### Accelerated Depreciation Schedules

Each municipality in Maine establishes its own depreciation schedules for different classes of machinery, equipment, and furniture. Once a depreciation schedule is established, it must, by State law, be applied equally among businesses within that municipality. The City of South Portland currently has an accelerated depreciation schedule for semiconductor fabrication facilities.

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

### Virginia / Charlottesville

#### Summary

The State of Virginia is the primary economic development organization in Virginia and negotiates a variety of corporate income tax credits for relocating companies. Overall, the state relies on targeted tax provisions that will incentivize specific industries or large manufacturers. The state is expanding its sales tax exemption list and has aggressive depreciation schedules for equipment.

Local jurisdiction do not offer much in the way of tax breaks or incentives, instead relying on infrastructure improvements and working with the State to receive state funds. Property taxes are levied at the local level and vary depending on type of property. In Charlottesville, real property (land and buildings) is levied at \$1.10/\$100 while certain types of equipment each have their own rates and depreciation schedules. Local communities are only able to incentivize specific industries by re-classifying the equipment or creating special zones. While not an enterprise zone, Charlotte is a “Technology Zone”, which offers reduced property tax rates. Cities and counties are not allowed by state law to negotiate special incentive deals with individual companies.

Local jurisdictions may elect to request assistance from one of two state programs for large projects: the Governor’s Opportunity Fund and the Virginia Investment Partnership Grant Fund. The Governor’s program offers cash grants to local jurisdictions as part of a locally-driven package to relocating companies, where locals much match any state funds. The Investment Partnership Grant offers delayed cash payments (after 5 years) to manufacturers making significant upgrades to their equipment and technology.

Tax Rates	Virginia	
	State	Local
Corporate Income Tax	6 %	--
Property Tax	--	1.11 %*
Includes equipment?	yes	yes
Sales Tax	3.5 %	1 %

\*Reduced rates for technology firms and manufacturing equipment

Tax Incentives Available	Virginia	
	State	Local
Corporate income	yes	n/a
Property	yes	yes**
Sales/use exemptions	yes	no
Sales tax sharing	no	no
Accelerated depreciation	n/a	yes**

\*\*for some manufacturing equipment

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Overview of Major Tax Credits

Corporate Income: Major Business Facilities Job Tax Credit

Businesses that create 100 jobs (50 in enterprise zones) are eligible for a \$1000 credit per new job, taken over a 3-year period. Unused credits may be carried over for up to 10 years.

Corporate Income: Worker Re-Training Tax Credit

Employers are eligible to receive an income tax credit of 30 percent of all worker retraining expenses up to \$2.5 million per year. This can be negotiated with the state.

### Sales Tax Exemptions

Significant E.D.-related exemptions include:

- Manufacturers' purchases used directly in production, including machinery, tools, spare parts, industrial fuels, and raw material
- Certified pollution control equipment facilities
- Computer hardware and custom computer software
- Purchases used in research and development
- Utilities purchases

### Governor's Opportunity Fund

This Fund is intended as a "deal closing fund" to be used at the Governor's discretion when necessary to secure a location or expansion that will create new jobs and investment. Grants are awarded to localities and may be used for a variety of incentives. Communities must ask the Governor for this assistance and must match an equal amount (or in-kind) of the incentive. The State Assembly funded this program at \$30 million for the previous biennium. *Example: Louisa County outside of Charlottesville received a \$500,000 grant to improve infrastructure on a site for a WalMart distribution center.*

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### **Virginia Investment Partnership Grant Fund**

The Virginia Investment Partnership is a discretionary investment performance grant program for existing Virginia manufacturers and large basic employers. The program is targeted to companies that have operated in the state for at least five years and are proposing investments in capital to upgrade their technology (no job creation) or invest more than \$100 million and create at least 1000 new jobs. The grant is generally based on the expected revenue to the state generated by the project and is subject to approval by the Governor. A performance agreement is required and payments from the state in five annual installments that can only begin in the sixth year after the investment is made.

*Example: Recent recipients of these grants include Volvo (automotive), Infineon (semiconductor), and AOL-Time Warner (Internet services).*

### **Revolving Loan Funds**

The Virginia Economic Development Revolving Loan Fund provides loans of up to \$1 million, or \$10,000 per job. This loan is also available to new or expanding manufacturing companies that receive 50 percent of their sales from outside Virginia. Loan finance maximum is 40 percent of the project. Businesses must contribute equity of 10 percent of project costs.

### **Loan Guarantees**

The Virginia Small Business Financing Authority Loan Guarantee Program (VSBFA) helps small businesses gain access to short-term capital by guaranteeing 75 percent of a bank loan or \$300,000, whichever is less. The recipient must be a small business in Virginia, and typical uses include financing accounts receivable, inventory, and the purchase of fixed assets.

### **Enterprise Zones**

The state has designated about 50 enterprise zones for depressed areas or for brownfield sites in major metros. State business incentives for these areas are primarily geared toward income tax abatements and job training grants. Localities are able to reduce their property tax rates at their discretion. *No part of Charlottesville or surrounding county is eligible for Enterprise Zone status.*

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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### Corporate Income Tax Credit: General Tax Credit

A 10-year tax credit is available against state income tax liability that results from business activity with an Enterprise Zone. Qualifying small businesses investing up to \$15 million and creating up to 50 jobs over a 30-month period will receive an 80 percent tax credit in the first tax year and 60 percent credit in the years 2 through 10. Businesses investing over \$15 million and creating 50 or more jobs must negotiate the tax credit. To qualify for this tax credit, 25 percent of new employees must meet low-income standards for the area or reside within the zone.

### Corporate Income Tax Credit: Refundable Real Property Tax Credit

A tax credit equal to 30 percent of qualified-zone real property improvements is available to businesses that rehabilitate property or undertake new construction in an Enterprise Zone. The maximum credit within a five-year period is \$125,000. Investment in rehabilitation/expansion projects must equal \$50,000 or the assessed value of the original facility, whichever is greater. Investment in new construction projects must equal at least \$250,000 for qualified improvements. The credit is applied first to tax liability; the remaining balance, if any, is then refunded to the business. The facility must either be owner-occupied or leasehold improvements (or a portion thereof) must be made by the business to be eligible for this credit.

### Corporate Income Tax Credit: Investment Tax Credit for Investments of \$100+ million

Businesses investing in excess of \$100 million in plant and machinery and creating 200 jobs may claim up to 5 percent of the investment against state corporate income taxes. The investment tax credit is negotiated with the general income tax credit as a combined incentive and is available when the negotiated investment threshold is reached. Unused credit balances are carried forward until the full amount is used.

*Note: Maximum corporate income tax incentives on enterprise zones are: \$16 million for small businesses (less than 50 employees and \$15 million invested) and \$30+ million for large business (more than 50 employees or \$15 million invested).*

### Grants: Job Grants

Businesses creating new, full-time positions in enterprise zones are eligible to receive grants for three consecutive years of up to \$500 per job (\$1,000 if a zone resident fills a job). The maximum grant to any one firm is \$100,000 a year for the

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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three consecutive years in the "grant period." Businesses may qualify for additional three-year grant periods with additional job creation. Businesses electing to receive this grant are not eligible to receive the major business facility job tax credit. Funding for Job Grants is limited by annual appropriation. If total eligible credits is greater than statewide caps, then each business will receive a prorated amount.

### Utility Assistance

The state of Virginia has excess capacity and rates appear aggressive due to deregulation. Dominion and AEP are the primary providers and offer incentivized rates for relocating industry. Of the states examined in this report, Virginia offers the lowest industrial electric rate. No state programs are available to subsidize utility rates.

### Infrastructure Grants

Transportation/Access Grant: Industrial Access Road and Rail Programs

Virginia Department of Transportation (VDOT) awards grants up to \$350,000 plus an additional \$150,000 if funds are matched for new or expanding processing companies that require adequate industrial roads or rail be built.

## Charlottesville, VA

### Technology Zone Program

Virginia cities, counties, and towns have the ability to establish, by ordinance, one or more technology zones to attract and grow targeted industries by offering local tax benefits and certain regulatory flexibility. *Charlottesville and the surrounding county is one of these zones.* Qualified businesses locating or expanding operations in a zone may receive local permit and user fee waivers, local tax rebates, special zoning treatment, or exemption from ordinances for up to 10 years.

### Tax Abatements

Property Tax: Local Property Tax Exemptions

# THE BROOME COUNTY PLAN FOR SUSTAINABLE ECONOMIC DEVELOPMENT

## INCENTIVES INVENTORY

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Localities may grant businesses a full or partial property tax exemption for up to 15 years for rehabilitated properties for commercial or industrial use. Property tax exemptions can be given for pollution control facilities, recycling equipment, manufacturers' generating/co-generating equipment, and solar energy devices.

### Property Tax: Local Property Tax Abatements

Localities can offer partial tax abatements for special equipment including: R&D personal property, semiconductor manufacturing equipment, computer hardware and peripherals, aircraft, and personal property used in providing Internet services.

### Sales Tax: Research & Development Tax Exemption

A business is eligible for sales/use tax exemption on the property used or consumed in research & development. Research & development tangible property may be taxed at lower rates or equal to those of tools and machinery.

## **Financing**

### Industrial Development Bonds

Local IDAs can issue tax exempt Industrial Development Bonds for new or expanding manufacturing facilities of up to 100 percent of a project. Tax-exempt projects have no maximum.

### Lease-back Financing

Local IDAs can offer lease-back agreements.