Credits and Incentives
East Coast Update

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OBJECTIVES

- Identify recent development in credits and incentives on the east coast.

- Discuss trends and hot topics in states and the regions that are making headlines.

- Explore steps that businesses can take to ensure they’re utilizing and realizing available incentives during the site selection process.
EAST COAST UPDATE

- Alabama
- Florida
- Georgia
- Maryland
- New Jersey
- North Carolina
- South Carolina
- Tennessee
- Virginia
**ALABAMA**

**Jobs Act Incentives (2015)**
- Jobs Credit
  - 3% for up to 10 years
  - Veterans bonus
- Investment Credit
  - 1.5% of investment for up to 10 years

**Renewal Act**
- Port Credits
- Credit for contributions to EDOs for site readiness development
FLORIDA

- 2017 - Sales tax exemption for data centers, infrastructure, equipment, personal property, and electricity effective July 1st

- 2016-2017 Legislature did not fund cash incentives

- Texas-sized closing fund denied in 2016

- Enterprise Zone Program Sunset 12/31/15

- Economic Development will be driven by locals and utilities
RECENT FLORIDA WINS

- ADP: 2,000 employees
- Verizon: 2,400 employees
- Deloitte: 1,000 employees
- Northrop Grumman: 1,800 employees
- Johnson & Johnson: 700 employees

Will lack of cash incentives reverse winning trend?
Georgia

- **Jobs Tax Credit**
  - $750 to $4,000 for 5 years for each net new job

- **Quality Job Tax Credit**
  - $2,500 to $5,000 per job per year for up to 5 years

- **Investment Tax Credit**
  - Existing Georgia companies in manufacturing or telecommunications
  - 1% to 8% of qualifying investment expense

- **Bonds**

- **Georgia Power**
MARYLAND

- Economic Development Opportunities Fund aka “Sunny Day Fund”
  - Recently in the news for $20M offer to Northrop Grumman

- MEDAAF – Maryland Economic Development Assistance Authority and Fund
  - Flexible and negotiable
  - Must be a priority funding area and in a targeted industry

- Maryland Enterprise Zone
  - Job credits
  - Property tax credits
NEW JERSEY

Grow NJ Assistance Program

- Creating or retaining jobs in New Jersey may be eligible for up to tax credits ranging from $500 to $5,000 per job, per year for 10 years;
- Bonus credits ranging from $250 to $3,000 per job, per year (award amounts vary based on applicable criteria);
- Credits can be sold to a third party to monetize credit upfront;
- Program just redefined qualified businesses to include biotech and pharma working with in-state universities, hospitals and incubators.
NORTH CAROLINA

North Carolina Competes Act
- JDIG funding increase from $15M to $20M
- Tier 1 grant award increase from 75% to 80%
- Tier 3 criteria change from 20 jobs to 50 jobs
- High-Yield Projects: 1,750 jobs and $500M
- Data center Exemptions
  - Capital investment requirement reduced from $150M to $75M
  - Sales tax exemption on electricity and certain business property.
**SOUTH CAROLINA**

- **Job Development Credit**
  - Discretionary incentive to offset infrastructure improvements paid quarterly
  - Capped at $3,250 per year per employee
  - Credits available for 10 years

- **FILOT – Fee in Lieu of Tax**
  - Negotiated
  - Reduced assessment rate from 10.5% to 6% in most cases

- **Discretionary Cash Grants**
**TENNESSEE**

- **Sales Tax Exemption**
  - Full sales tax exemption (state and local) on manufacturing, distribution equipment
  - Up to 9.75%

- **Tennessee Valley Authority**
  - Cash grants
  - Utility reductions

- **Job Tax Credit**
  - $4,500 per job

- **Payment in Lieu of Tax**
  - Negotiated locally
VIRGINIA

- **Opportunity Fund (deal closing fund)**
  - To be used for infrastructure or training

- **Major Employer Grant**
  - Requires 1,000 new jobs and $100M investment

- **Economic Development Incentive Grant**
  - Requires at least 400 new jobs at 1.5x the local prevailing wage or 300 new jobs at 2x the local prevailing wage
  - Investment of $5 million or $6,500 per job

- **Tobacco Region Opportunity Fund**
  - Requires 10 new jobs and $10M investment
**VIRGINIA**

- **Enterprise Zone Incentives**
  - Job Creation Grant
    - $500-$800 per job per year for 5 years
  - Real Property Investment Grant
    - Up to $100,000 for investment up to $5M
    - Up to $200,000 for investment over $5M

- **Go Virginia**
  - Encourages regional collaboration
    - Grants for projects with $25M / 200 jobs
**TRENDS**

- Shifting from Northeast to Southeast
- Scrutiny of public incentives
- “Pay As You Go”

**State Economic Development Restructuring**
- Enterprise Florida?
- Maryland announces reorganization of Department of Business & Economic Development to Department of Commerce
- North Carolina – Department of Commerce to Economic Development Partnership
BEST PRACTICES

- Check your address for special enterprise zone or other location-based status.
- Research all available incentives in target area(s) in advance of investments. Determine which incentives are of value to your company.
- Do not begin investment prior to understanding pre-application requirements.
- Have accurate estimates of investments and HC plans for the entire project cycle.
- Do not overestimate investments for a larger offer. Awards are often performance-based and failure to meet contracted levels may lead to recapture and penalties.
BEST PRACTICES

- Prepare responses to any negative company history.
- Present a thorough introduction to your company and the project to the jurisdictions.
- Company history – in general and as a community member.
- Project description – demonstrate fit within the company’s business plan.
- Use detailed presentation materials to help visualize the project.
- Introduce site options for the project.
- Identify support options being requested.
- Identify & notify key company participants.
BEST PRACTICES

- Begin discussions and submit support applications to jurisdictions as early as possible.
- Conduct meetings in person, utilize local contracts (e.g. plant manager)
- Benchmark other award packages to establish a baseline comparison.
- Establish procedures for substantiation / documentation in self-reporting regimes.
- Calendar reporting and filing deadlines to avoid recapture or loss of benefits.