Investing in Texas: Economic Incentives and Programs

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Research Foundation

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Executive Summary

Texas has a great deal to offer for business formation and capital investment. Real estate and building costs are generally low, as are labor costs. The state's regulatory and judicial environment is rational and stable. The state has abundant natural resources and energy. But Texas is behind in some key areas—water availability, transportation infrastructure, workforce skills and a relatively high tax burden on business.

Part 1 provides an overview of how businesses assess certain factors in making investment decisions, placing greater emphasis on the ones that impact them most directly. All states strive to encourage economic growth and address any perceived shortcomings by using incentives—specific offers of benefits to motivate companies to invest here. Incentives include grants, financing tools, tax credits, tax refunds, and tax discounts. Tax exemptions, which are available to all taxpayers without specific application, are important, but because they are available to all taxpayers they are not considered to be "incentives" for the purposes of this report. Exemptions are generally used to eliminate the distorting impacts of a tax, rather than to incentivize a specific project or activity.

The use of incentives—in Texas and in other states— has received a great deal of scrutiny over the past several years as states have attempted to rebuild from the Great Recession. Critics and supporters have both weighed in, commonly "cherry-picking" the data they use to make their points. **Part 2** assesses the common misuse of statistics in evaluating incentives and the programs under which they operate and proposes a balanced and objective alternative assessment method based on the true net impacts—fiscal, economic, and intangible—to the state and local communities. State number crunchers commonly and erroneously assign the value of the benefit to the taxpayer as a "cost" to the state and local communities, and ignore the additional tax revenues a project may bring to a community. Appropriately used, incentives are an investment that can pay back dividends in the form of capital investment, new jobs, higher tax bases, economic diversity, and/or national or world-wide publicity.

Part 3 provides a compendium of the various incentive programs offered in Texas—identifying the eligibility requirements, the agency that administers the incentive, and a detailed description of the program.

Texas is certainly not unique in using incentives. Every one of the 50 states offers some type of incentive to encourage business activity and investment within their borders, and the great majority have very expansive programs. **Parts 4 and 5** summarize and highlight select incentive programs offered in other states. Texas is certainly not the most aggressive state in offering incentives. Other states have more beneficial programs with much simpler application, administration, and compliance provisions. Further, once the incentives expire, those states may offer a substantially lower business tax burden.

This report updates and expands the December 2012 TTARA Research Foundation study, *Economic Development in Texas: Programs and Incentives*. Information on Texas's programs haw been updated to reflect the changes made by the 83rd Legislature. In addition, this study assesses how incentives should be evaluated, and how other states use incentive programs.

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Part 1: Economic Decision-Making and Incentives

Factors Affecting Economic Development Decisions

Economies are rarely static. They grow or contract as resources and markets are developed and investment capital shifts from place to place in search of better returns. In this modern world, every political jurisdiction has an interest in doing what it can to provide a solid foundation for economic growth to take place within its borders for the benefit of its citizens. Ideally, this growth not only generates wealth and jobs, but also provides the basis for an affordable fiscal system to finance necessary public services.

A key role of government is to provide a solid foundation of facilities and services to meet the needs of their constituents and foster economic growth. To a large degree, the growth or contraction of regional economies will take place without much direct input from governmental policy makers as populations change, natural resources are developed and institutions age. No state's economy starts from a blank slate. States are endowed with differing resources—natural and human—and have differing cultures and institutional climates. Each state offers its own unique mix of assets and liabilities, and each offers its own unique set of inducements to attract capital and economic growth.

While the literature is immense when it comes to identifying and scoring those factors that influence investment decisions and economic growth, ten commonly mentioned factors are:

- **Land/building costs:** this would include not just the cost of land and building materials and supplies, but also site preparation.
- **Workforce availability and skills:** obviously different industries will have varying skills needs, some of which may be addressed using job training programs with local education institutions; regardless, labor is a tremendous business expense, and lower labor costs can give one area an advantage over others.
- **Regulatory and judicial systems and policies:** permitting requirements and the time for overseeing entities to process them can have a tremendous impact on a company's legal expense and the length of time (which, in the old adage, is money) to begin construction and operations.
- **Raw materials costs:** proximity to raw materials that can be purchased at competitive market prices is an important consideration for goods-producing industries.
- **Energy stability and costs**: a power brown- or black-out can bring an enterprise to a screeching halt and cause a business to incur substantial losses in operations.
- **Water availability and costs:** water is necessary to cool many types of industrial processes; sporadic or permanent lack of access to water can disrupt operations.
- **Cost-effective access to markets:** quick and reasonably-priced transportation—be it road, rail, water or air—can be a substantial consideration for goods-producing industries.
- **Weather/natural disaster risks:** damages from hurricanes, flood, or other weather-related factors and/or natural disasters such as earthquakes, will have a direct cost on a business in terms of repair costs and lost sales.
- **Taxes and incentives:** taxes are often a substantial direct cost and businesses will seek to minimize them, as they would any operational cost. Incentives, not only tax-related, but also financing programs and grants can reduce net costs.
- **Community relationships and other intangibles:** an intangible factor that often enters into investment decisions is the relationship between the business, the community, and

government entities involved; a sense that the community is vibrant and/or welcoming can impact a business's decision to move forward. The prestige of a particular location can be an important intangible. For example, a major financial institution may feel that a New York postmark offers greater value.

KPMG conducts a periodic study of business operating costs across the international NAFTA[1] marketplace. They estimate the relative general importance of varying cost factors across international economies (Figure 1.1). While this provides a very general view of how taxes may impact project decision making, the individual importance given to the factors within this "consideration matrix" will vary widely depending on the industry considering them. For example, a manufacturer may give greater weight to the availability and cost of raw materials and water, energy stability and costs, or regulatory systems and policies. A services company, in contrast, may give greatest weight to labor skills and costs or community relationships and other intangibles. The simple fact that one state may in general be attractive to research and development activity is not a sign that the state will be similarly attractive to a company that manufactures boots.

Further complicating the analysis is that while state factors are important, so too are local ones. Individual areas within a state may be more attractive to a particular activity than others. For example, a research and development facility may be more appropriately located near a top tier institution of higher education than in an area with lesser skilled workers.

The Process of Site Assessment

Evaluating investment location options is commonly a two-tiered process—the first, very general and the second very specific.

Companies considering expansion may hire a siting consultant or create an internal team. They assess the particular needs of the new facility—energy, raw materials, labor needs, etc. Based on the prioritized needs of the project, they may identify *general* regions or states in which those needs could be most cost-effectively met. During this process, some factors are more important than others. Energy stability and costs and raw materials costs are more important during this phase than are community relationships and other intangibles. For example, a manufacturing plant needing a stable and cheap supply of natural gas, may look across the states and quickly narrow their list to Texas, Louisiana, and New Mexico.

Figure 1.1
Relative Significance of Key "Location-Sensitive" Cost Factors Across International Locations

	Services	Manufacturing
Labor costs	**74 - 90 %**	**44 – 60 %**
Salaries and wages	*52 – 64 %*	*31 – 42 %*
Employee Benefits	*22 – 27%*	*12 – 17 %*
Facility costs (office, factory leasing)	**4 – 16 %**	**2 – 6 %**
Transportation costs (road, sea, air)	**n/a**	**7 – 24 %**
Utility costs (electricity, natural gas)	**1 – 1%**	**2 – 8 %**
Cost of capital (depreciation, financing)	**0 – 7 %**	**9 – 21 %**
Taxes	**2 – 10 %**	**6 – 14 %**
Income taxes	*0 – 11 %*	*4 – 11 %*
Property taxes	*0 – 0 %*	*1 – 3 %*
Other taxes	*0 – 1 %*	*0 – 1 %*

Source: KPMG, Competitive Alternatives: KPMG's Guide to International

[1] North American Free Trade Agreement.

Once several states have been identified, and a "short list developed," a company will evaluate very *specific* communities and sites within those states. The financial analysis of the investment becomes much more detailed, as companies assess the very specific construction and operating costs associated with each location. At this point, some factors are less important in the specific evaluation because the sites have been pre-screened for these factors (such as natural gas costs in the above example). Other factors become more important. Regulatory considerations will clearly differ across states. Certainly tax burdens will be very different. And while the bottom line is important, community relationships and other intangibles may weigh heavily, as well.

It is at this point, that factors originally very important in culling the short list can become less important in deciding the specific project site, and those initially less important become much more significant. If the top five factors across a number of sites are generally equivalent, factor six becomes much more critical to the decision as to where to invest.

The Role of Economic Incentives

At that point, incentives often come into play.

For this report, "*incentive" is defined as a* ***specific*** *offer of a financial benefit to motivate a person to engage in a particular type of economic activity in Texas. Incentives include grants, financing tools, tax credits, tax refunds, and tax discounts.* Tax exemptions, which are available to all taxpayers without specific application, are NOT incentives. Exemptions apply to all taxpayers as a way of eliminating the distorting impacts of a tax, rather than incentivizing a specific project or activity.

Incentives may be designed to help a state overcome its particular deficiencies, to encourage a particular type of activity, to encourage new investment, or to retain an existing investment. While they are almost never the single-most important consideration, they can be a critical part of a company's final decision. They will never make the difference between whether a manufacturing plant chooses Texas over Hawaii, because Hawaii may not have the necessary infrastructure or market access to ever be under consideration. But taxes and incentives can make the difference between whether that plant locates in Texas or Louisiana.

How Texas Fares

While a valuable starting point, studies that attempt to rank states' *overall* attractiveness for business or industry are often more an effort to draw attention to the study itself, rather than a particular state or location. They may be useful as a starting point for businesses considering multiple locations, or for states as they mull implementing more successful economic development strategies, or even for political bragging points, but the ranking of some general study will never be the determining factor for a business decision. Instead, it is how the business evaluates its very specific needs and how those relate to not just the state, but the local community in which the prospective site is to be located. Still, some generalities can be offered as to how Texas is perceived on the national scene.

Texas *generally* fares well relative to other states on *most* of the basic factors that enter into business investment decisions. Real estate and building costs are generally low for many types of industrial projects. Labor skill levels may be spotty, but as a right-to-work state with a growing population and without a personal income tax, labor costs are low. The state regulatory bodies tend to be more facilitating than many other states, and tort laws have become more favorable over the years. The state has relatively stable and affordable energy and abundant natural resources. Texas' institutions of higher education are among the nation's best. Centrally-located, Texas offers good access to markets, although the state's transportation infrastructure is under stress.

Texas is behind in a few key areas, though: water, market access (i.e. transportation), workforce skills, and business taxes.

Large sections of Texas have been under drought since 2010 generating concerns over the state's long term water supplies. A 2013 voter-approved Constitutional amendment set aside $2 billion from the Economic Stabilization Fund for water improvements, including conservation programs, reservoir development, pipelines and other projects. Addressing Texas' future water needs is still very much a work in progress.

Traffic congestion is a problem in every major urban center in the state, and across the highways that connect them. Five of the nation's most congested cities are in Texas.[2] The Texas Transportation Institute estimates that congestion on Texas roadways costs more than $10 billion annually in total delay and fuel expenses—leaving Texans to spend an extra 472 million hours spent in traffic.[3] Voters in 2014 approved using a portion of oil and natural gas severance taxes to address the state's transportation infrastructure needs, though the Texas Transportation Institute estimates that much more will be needed simply to prevent further traffic congestion.

A major revamping of Texas public school curriculum with House Bill 5 in the 83rd Regular Legislative session will partially address workforce issues, though many remain. The U.S. Chamber of Commerce ranks Texas' 29th among the states based on their assessment of our "talent pipeline."[4] Forbes Magazine marked Texas down in their "Best State for Business" rankings because of the education rate of Texas' workforce, noting that Texas "has the second-lowest percentage of adults with a high school degree: 82 percent."[5]

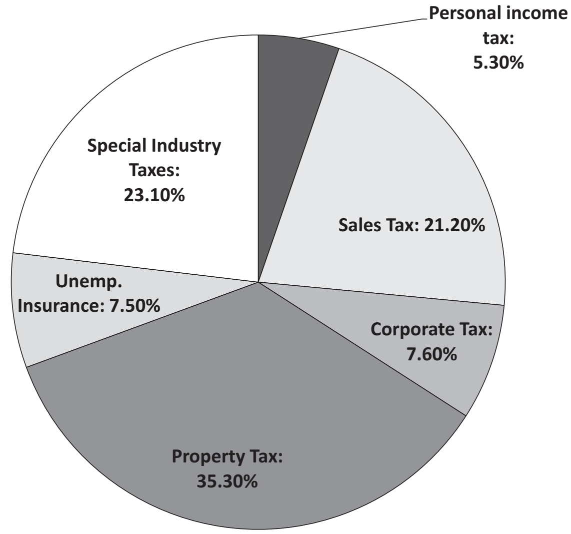
A Closer Look at the Texas Tax Climate

Texas' mantra of being a low tax state is ingrained in popular culture, but the truth is more complex. There are two types of taxpayers—individuals and businesses. While in purely academic terms, businesses don't ultimately "pay" taxes, people do—that doesn't mean that taxes don't have a very real and substantial impact on investment location decisions. A business either:

1. passes its taxes forward to consumers in the price of the good or service it produces, or it absorbs it by
2. cutting other operating costs (such as labor, reducing individual incomes) or
3. earning less profit (and returning less to investors).

[2] Hartgen, David T. and M. Gregory Fields, *Building Roads to Reduce Traffic Congestion in America's Cities: How Much and at What Cost*? Reason Foundation.
[3] Perryman, Ray, *Texas Traffic Congestion*, May 30, 2014, http://perrymangroup.com/2014/05/30/texas-traffic-congestion/.
[4] Enterprising States 2014: Re-creating Equality of Opportunity, U.S. Chamber of Commerce Foundation, available at www.uschamberfoundation.org.
[5] "Texas the Best State for Future Job Growth, Forbes Says," Olivia Pulsinelli, Houston Business Journal, November 13, 2014.

Figure 1.2
Relative Shares of State and Local Taxes Businesses Pay



Source: Council on State Taxation, Total State and Local Business Taxes: State-by-state estimates for fiscal year 2012.FY2012 Business Tax Burden Study, prepared by Ernst & Young LLP.

Any of those three options can make a business less competitive. Businesses will tend to gravitate to those locations where costs, of which taxes can be a key component, are low. Lower taxes can mean a company can price its goods or services lower than its competitors (earning a greater market share), utilize more skilled workers (increasing efficiency of operations), and/or earn a greater return (attracting more capital and investors). Consequently, direct taxes on business are a key factor impacting economic growth and job creation.

The Texas franchise tax is commonly thought of as the state's chief business tax, and in assessing Texas' business tax structure, it receives a fair amount of criticism. But the franchise tax has little impact on investment decisions. The overall effective rate of the tax relative to gross receipts is less than 0.2 percent.[6] Further, a business's tax liability is dependent not on where the business is located, but on where its sales are made—in effect, where its customers are located. Far more significant in assessing comparative tax burdens across states and localities are property and sales taxes. Businesses pay almost 8 times more sales and property taxes than they do in either franchise or traditional corporate income taxes (Figure 1.2, above). And for a state as heavily reliant on sales and property taxes such as Texas, that creates a substantial tax barrier to new investment.

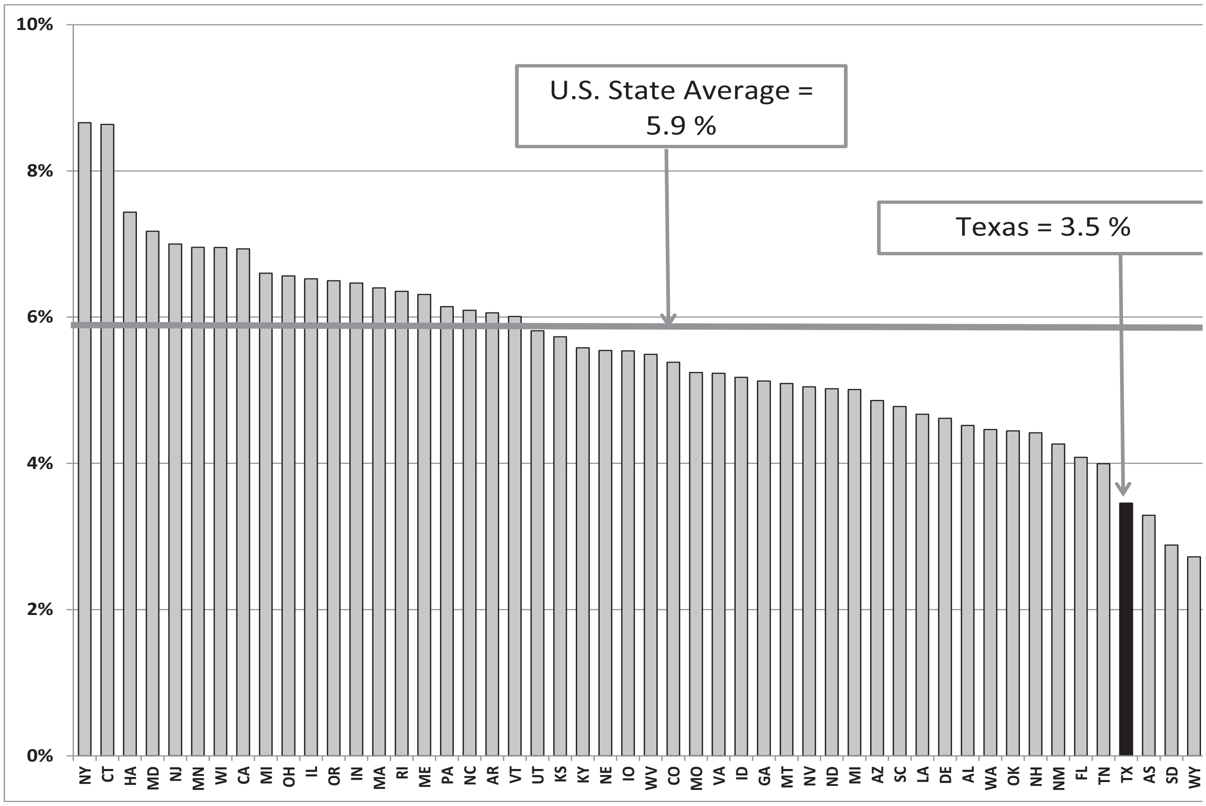
An annual study by the national Council on State Taxation assesses how state and local taxes compare across the states based on who pays them—either individuals or businesses. Applying their consistent methodology across states reveals that **Texas' tax structure falls far more heavily on *business*** than in other states. In Texas businesses pay 65 percent of all state and local taxes versus a 48 percent national average.

On the other hand, direct taxes paid by *individuals* account for only 35 percent of all Texas state and local taxes versus 52 percent for all states on average.

The reason for that disparity is the make-up of Texas' tax structure, and in particular the absence of a state personal income tax. Though it may not seem that way when property tax bills arrive in the mail, for *individuals*, Texas is a low tax state. Relative to personal income, the average Texan sees 3.5 percent of their income go to paying state and local taxes (Figure 1.3), well below the national average

[6] The Business Tax Advisory Committee Report to the 83rd Legislature, January 2013, Texas Comptroller of Public Accounts, Table 5.

Figure 1.3
State and Local Tax Burdens on *Individuals* (Relative to Personal Income, 2013)



Source: Derived from *Total State and Local Business Taxes, 2013*, COST and Ernst & Young, August 2014

of 5.9 percent and ranking Texas 47th highest among the states (or fourth lowest). The state's lack of a personal income tax saves the average Texas family $2,750 each year compared to other states.

The absence of a personal income tax also offers some economic development advantages for the state. Small business owners are able to reinvest more of their earnings back into their business. For multistate businesses, Texas is an attractive location for business headquarters—the location where a company typically places its highest paid employees.

The flip side of the tax equation can have a harmful side for businesses, though. Texas makes up the difference for the lack of a personal income tax through:

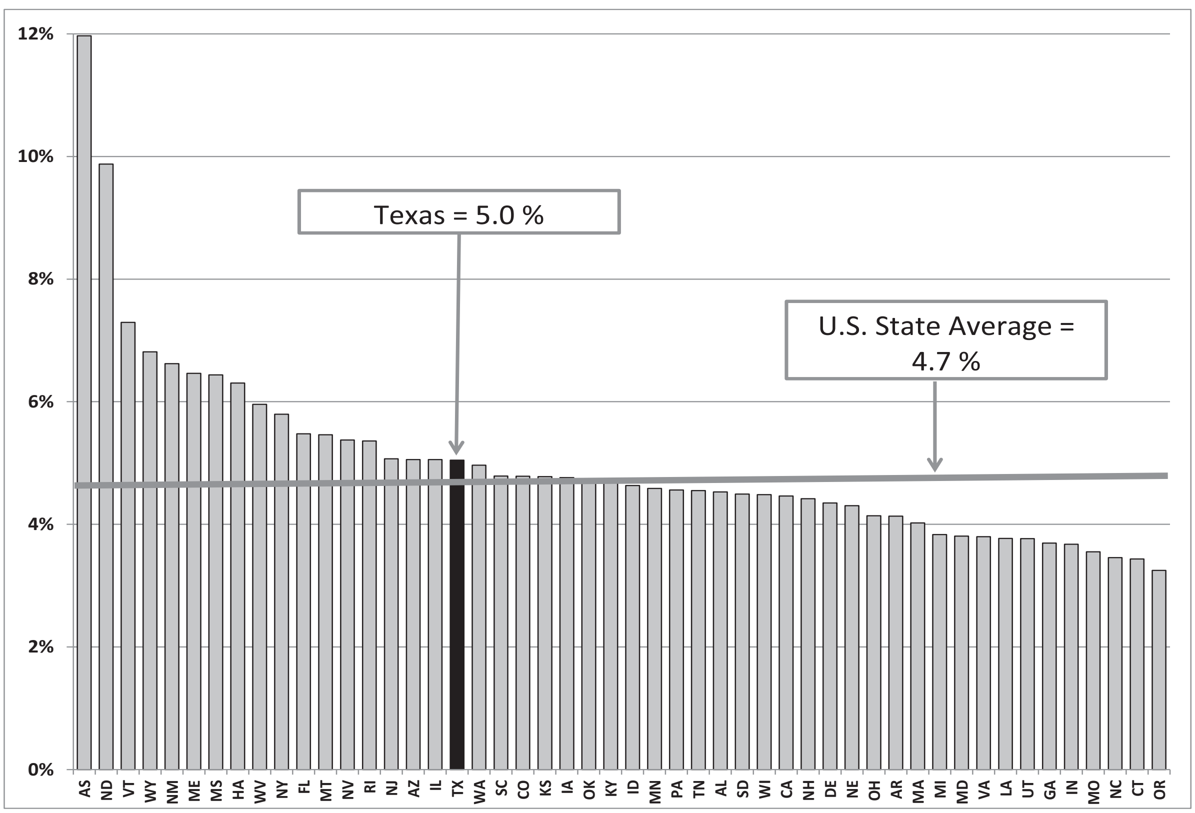
- lower spending,
- higher sales taxes, and
- higher property taxes.

Conservative spending levels are generally a positive unless certain basic needs—such as education and roads—go unmet. Businesses can incur higher job training costs if the available labor force does not have adequate skills and businesses can incur higher fuel and labor costs if their trucks spend excess idle time because of traffic congestion.

Texas' heavy reliance on property and sales taxes imposes a substantial burden on business. Businesses pay roughly 2/3 of the property tax and just under half of the sales tax. With very high tax rates and relatively broad tax bases, these taxes place a heavy burden on Texas businesses. Relative to business output (as measure by gross product, or "value-added"), Texas businesses on average pay state and local taxes in an amount equal to 5.0 percent of their gross economic output—8 percent higher than the average state and ranking Texas 18th highest among the 50 states (Figure 4).

But even that figure can be misleading, because businesses come in all shapes and sizes. Capital intensive industries that must make huge up-front investments, are inordinately impacted by high property taxes. A recent 50-state joint study by the Lincoln Land Institute and the Minnesota Center for Fiscal Excellence compared property taxes across the states found that for industrial properties of various sizes, Texas' property taxes were the sixth highest of any state.[7] The study also ranked the 50 largest metropolitan areas by tax burden on industrial properties and of the 10 highest taxing localities across the nation, 7 were in Texas.

Figure 1.4
State and Local Tax Burdens on <u>Business</u> (Relative to Output, 2013)



Source: Derived from *Total State and Local Business Taxes, 2013*, COST and Ernst & Young, August 2014

[7] Minnesota Center for Fiscal Excellence and the Lincoln Institute of Land Policy, 50 – State Property Tax Comparison Study, March 2014.

Incentives as a Policy Tool

There's a lot to like about Texas. It has a stable and favorable regulatory and judicial environment. It is strategically located equidistant to both coasts. Real estate costs are generally reasonable. As a Sunbelt state it generally is less susceptible to the vagaries of winter weather shutdowns.

But Texas does have some challenges. Rapid increases in jobs, particularly in the oil and gas sector have strained Texas' labor pool and available skills levels. The state's transportation infrastructure becomes a greater hindrance as the population grows and the economy expands. The drought has threatened current water supplies. And we're a high tax state—at least for the businesses we try to attract and retain.

Incentives have been an important tool that Texas, and other states, have used to attract quality growth. Incentives have helped spark a resurgence in the oil and gas industry, attracting investment to Texas at a time when new reserves in other states may be just as profitable. Incentives have helped to expand and diversify the state's electric generating capacity and to bring new capital investment to the state's manufacturing sector.

Still the use of incentives remains controversial.

Critics argue that Texas, and other states, are giving away money in the form of corporate welfare to companies with record profits. Incentives, they contend, create artificial winners, shifting those foregone taxes onto others, turning them into tax losers.

On the other hand, incentives work. Companies have choices about where they locate, and incentives can steer them to certain locations that are more cost-effective, thereby allowing them to retain more of their income as profit. Those companies also pay substantial amounts of taxes beyond the incentives they receive and may generate tremendous economic benefits for communities. And as far as picking winners and losers, incentives are less of a distortion of the "market," and more of an attempt by states and localities to overcome the particular distortions their locations and tax structures impose.

Economic development is a competitive sport with all 50 states fielding teams. Most companies looking to make new investment will have a number of choices on their radar. Texas' pluses and minuses will be carefully weighed, and incentives can be a key inducement. Judiciously used, incentives are an effective policy tool. Still, given the controversies, incentive policies should be subject to objective scrutiny, as discussed in the next section of this report.

Part 2: How to Measure the Benefits of Economic Incentives (and How Not To)[8]

Common Myths of Measuring Incentives

Critics deride tax incentives as "corporate welfare" and complain states are "giving away" too much in an effort to "buy" new investment. Supporters point to billions of dollars of investment and thousands of jobs as proof of the success of incentives. Either side can make a compelling point in support of their position by cherry-picking the data they use and the assumptions they make. As a result, the conclusions of "analyses" are often predetermined by the underlying assumptions rather than any facts. The issue is far more complex, and misinformation will dominate the discussion until policymakers adopt a clear, standardized, and consistent set of appropriate measures of both the costs and benefits of economic development and incentives. This section examines some of the common myths about how tax incentives are characterized. We then propose a matrix of factors that may be used as a guideline for evaluating the costs and benefits of projects and the incentives they may use.

Myth #1: "Incentive" Equals "Cost." The state calculates its "cost" of an incentive as the amount of benefit received by the taxpayer. This assumes that the taxpayer would have made the exact same decision had there been no incentive. This is a fundamental flaw in the state's analysis as the following hypothetical example demonstrates:

> *A woman owns a small antique shop. She prices her goods at a sufficient markup so that she will make a 25 percent profit after all her costs are covered. She has a dining table for sale at $1,000, but it has been sitting unsold for months. A customer comes into the store and is drawn to the table. The shop owner doesn't normally negotiate, but they are both aware there is a similar table for less in a nearby store. The two agree on a sales price of $900—a ten percent discount from her normal sales price, but one which still allows her a profit of $100 over her break-even cost of $800.*

If you apply the methodology the state uses to assess incentives, you would conclude the shopkeeper lost $100. The assumption is made that the customer would have bought the item and willingly paid the full retail price, no matter that a less expensive alternative existed elsewhere. The shopkeeper's discount is a "cost" no different from any other business expense, and no different than if she had to write a check out of her own pocket.

A tax incentive is simply a discount on the amount of tax a business will pay on a project to encourage them to select a specific location—no different from the retailer above offering a discount to her customer as encouragement to make the purchase.

Incentives are not a zero sum game. A business has choices, and will tend to select the site that makes the best sense financially. If the numbers don't work in Texas, they'll look in Louisiana, Florida, or some other state—just as a savvy retail customer will shop around. The taxing jurisdiction is not giving away tax money. Absent the incentive, the project never would have located in Texas and never would have paid those taxes.

[8] This section adapted from *Evaluating Incentives, a Rational Approach*, published by the Texas Taxpayers and Research Association in 2014.

If there's a difference between the shopkeeper and the state, it is that the shopkeeper knows exactly what her "profit point" is. The state does not—at least not with the methodology Texas currently uses.

Done correctly, incentives can provide a "win-win." The taxpayer wins by temporarily enjoying a reduction in the taxes they would normally pay, and the taxing jurisdiction wins by gaining a substantial permanent addition to its tax base.

Myth #2: The Smaller the Incentive "Cost per Job" Means a Better Project. Other analytical approaches used by the state calculate the ratio of the value of the incentive to the number of jobs created (again, assuming that the value of the incentive equals the cost to taxpayers). The higher the ratio, the more the state is "paying" for the new jobs.

At best, the ratio may offer an indicator of how capital intensive a project is, but otherwise it is meaningless for purposes of evaluating incentives as the following hypothetical example proves:

> *Two companies are evaluating locations for their new manufacturing facility. Among the sites both are considering is one in a Texas school district. Since they're looking at the same site, only one project can move forward. Both companies plan to employ 1,000 people at the plant, and both seek a temporary limit on their taxable value for school maintenance and operations taxes under a program authorized in Chapter 313 of the Tax Code. The limitation would save Company A $51 million each year for 10 years. The benefit to Company B would equal only $9.4 million annually over the same period.*

The number crunchers grab their calculators and do a "cost/benefit" analysis. *Company A* would "cost" the state $510,000 per job ($51 million in benefits divided by 1,000 jobs multiplied by the ten years the incentive would be in place). *Company B* would "cost" only $94,000 per job ($9.4 million in benefits divided by 1,000 jobs multiplied by ten years). *Company B* is much more affordable and they get the nod. *Company A* is told to go elsewhere.

It seems like a no-brainer. After all, one is seeking a much lesser benefit and will create the same number of jobs. But did the state get the better project? A more thorough look at the data suggests the answer is "no." What did the number crunchers miss?

They focused on the amount of the tax benefit offered and ignored the amount of taxes the projects would actually pay.

Several key questions were never asked:

- How long was the plant going to operate?
- How much was each company planning to invest and ultimately put onto the tax rolls?
- What other state and local taxes would the project pay?

A more complete assessment of the project (Figure 2.1) demonstrates that the decision was <u>NOT</u> the most lucrative for the district or the state. Both projects created an equal number of jobs, but *Company A* would have paid almost 6 times more in overall taxes. Further, it would have doubled the local school tax base, allowing the district's debt service tax rates to drop by half, saving local taxpayers millions of dollars. *Company A* also had a longer life span. The plant would have been operational over 30 years, not the 20 years of *Company B*—providing 10 more years of jobs and taxes.

Figure 2.1
Assessing the Most Lucrative Project for the State
Dollars are in Millions

School District (before project)				
School Tax Base without project	$5,000			
School M&O Tax Rate/$100 of value	$1.04			
Pre-Project Tax Rate for I&S/ $100	$0.20			
Project Parameters	**Company A**		**Company B**	
Plant investment & Market Value[1]	$5,000		$1,000	
Annual Sales of Goods Manufactured	$5,000		$2,500	
Number of Employees	1,000		1,000	
Total Payroll	$50		$50	
Life of Project in years	30		20	
Assessing the Project's Economic Impact	**Year Value Limit in Place**	**Year Value Limit Not In Place**	**Year Value Limit in Place**	**Year Value Limit Not In Place**
Project Tax Savings from School Tax Limit	$51.0	$0.0	$9.4	$0.0
Project Taxes Paid				
School Property Taxes Paid	$6.0	$57.0	$2.7	$12.1
City/County Property Taxes Paid[2]	$0.0	$50.0	$0.0	$10.0
Sales Taxes Paid	$15.6	$15.6	$7.8	$7.8
Franchise Taxes Paid	$7.5	$7.5	$3.8	$3.8
Other Taxes Paid	$2.5	$2.5	$1.2	$1.2
Total Taxes Paid	$31.7	$132.6	$15.5	$34.9
Total Taxes Paid Per Job (dollars)	$31,665.0	$132,625.0	$15,519.2	$34,879.2
Project Analysis (Life of the Project)				
School Tax Benefit to Taxpayer	$509.6	expired	$93.6	expired
Benefit to Taxpayer per Job (dollars)	$509,600	expired	$93,600	expired
Total Taxes Paid (years limited & not)	$317	$2,652	$155	$349
Taxes Paid Over the Life of Project	$2,969		$504	

Notes: [1]In this example the investment is equal to the taxable value of the property. [2]The project is assumed to have also received a ten year abatement from city and county property taxes.

It was also a bigger project in the sense that it produced more in sales and economic output than *Company B* and would have consumed more materials and services. Consequently, it would have paid substantially more in sales, franchise, and other taxes in any given year. And the numbers in Figure 1 understate the *total* benefit to the state because they do not include the economic effects from the higher construction payrolls nor the ancillary gains from the increased local economic activity.

Ironically, the higher the "cost," as measured by the amount of the benefit, the bigger the ultimate return to the taxing entities.

So what was the more lucrative project for the community? The one that got away.

Myth #3: The "Best Deal" Is the Best Deal. *Acme Manufacturing* is looking to build a new, state-of-the art $1.5 billion project:

- $0.1 billion for land
- $1.0 billion in construction costs, and
- $0.4 billion for machinery and equipment.

The plant will also hold an average inventory of raw materials and finished product worth $0.4 billion. The plant will have a life span of 25 years.

Acme has narrowed its choices to three states: Texas, Pennsylvania, and Alabama. Acme views all three states equally, except for property taxes, which is a huge consideration given that the plant is very capital intensive. Ultimately, *Acme* advises the states that the one with the lowest property tax bill will get the project.

Pennsylvania weighs in first, offering a package of property tax reductions worth $75 million over the first ten years of the project's life. Alabama ups the ante with a ten year package of $125 million in property tax savings. Texas confidently steps up to the plate and tells Acme that its ten year package is worth a whopping $315 million of property tax relief.

Acme's number crunchers go to work and report to the CEO, who calls a press conference to announce that the new project goes to…

…Pennsylvania.

How did the state that offered the smallest package lure the investment?

It's simple. What mattered to the company was not the taxes <u>it would not pay</u> (those abated by the taxing authorities); what mattered was the taxes that <u>it would pay</u> (Figure 2.2).

Pennsylvania and Alabama had some distinct advantages over Texas. First, both states have dramatically lower property taxes than Texas. While that may not have mattered as much during the first ten years of the project, when the incentives would have been in place, it made a huge difference during the remaining 15 years of the project in which the incentives were <u>not</u> in place.

Second, neither Pennsylvania's nor Alabama's property tax applies to inventories of either raw materials or finished goods, while Texas' does. Texas is one of only 9 states that includes business inventories under the property tax. While local taxing units are able to exempt "Freeport Goods," this is a local option exemption that applies only to goods to be shipped out of state within a certain period of time. And

Figure 2.2
State Incentives versus Tax Liability

Item	Gross Value	Taxable Value		
		Pennsylvania	Alabama	Texas
Land Value	$100	100	100	100
Plant	$1,000	1,000	1,000	1,000
Equipment	$400	0	400	400
Inventories	<u>$400</u>	<u>0</u>	<u>0</u>	<u>400</u>
Total Value	$1,900	$1,100	$1,500	$1,900
Average Tax Rate per $100		$1.25	$1.25	$2.40
Project Life	25 yrs	<u>25</u>	<u>25</u>	<u>25</u>
Gross Taxes, Life of Project		$344	$488	$1,140
Reduction from Incentive		($75)	($125)	($315)
Supplemental Payments		<u>0</u>	<u>0</u>	<u>$54</u>
Net Taxes & Payments Due		$269	$363	$879

Notes: Alabama school districts are not allowed to offer a property tax abatement. Pennsylvania school districts may, although none is assumed in this example. Texas school districts do not offer direct tax abatements, but may offer a temporary limit on the taxable value of the new investment.

Pennsylvania had a further advantage over both Alabama and Texas because it doesn't tax business personal property—industrial equipment, machinery, etc.—under the property tax.

Finally, Texas' package was not nearly as good as it initially appeared. While *Acme* would have benefitted from school tax reductions totaling $135 million, school districts typically demand the project rebate as much as 40 percent of the tax savings back to the school district in the form of "supplemental payments." Acme could be expected to write checks totaling $54 million to the Texas school district in which it was located, substantially reducing their net tax benefit.

So when the company's number crunchers put pencil to paper, they determined over the life of the project they would pay $269 million in property taxes in Pennsylvania, $363 million in Pennsylvania, and $879 million in property taxes and supplemental payments in Texas. Texas wasn't even close to being the best choice, in spite of the package it offered.

Policymakers are at a clear disadvantage in "selling" Texas if they can't understand what matters most to their prospective customers.

An Appropriate Method of Evaluating Projects and the Effectiveness of Incentives

All three of the previous examples share a common thread: **it is not the amount of the incentive that matters to the project, it is the amount of taxes ultimately due.** Taxing jurisdictions and public interest groups tend to fixate on the amount of the benefits offered, erroneously equating that to public cost. However, if a project will pay a billion dollars in taxes over and above any incentive amount, the size of the incentive may be of little consequence to the jurisdiction. What should matter is the net <u>return</u> on the incentive, not the amount of incentive itself.

So how should returns be measured?

First, policymakers must discard the fool's mission to attempt to assess the effectiveness of incentives by a single measure or two. Economic development is far too complex. A more holistic approach is necessary.

Still, some simplification can be offered. While there are many factors that enter into decisions to encourage economic development, they can be condensed into three basic categories:

1. Economic Impacts,
2. Fiscal Impacts, and
3. Intangibles

All of these should be a part of the evaluation process—not only for the operational period of the project, but also the construction period, and not only for the direct project itself, but also the ancillary economic activity the project may generate. Some projects may fare poorly on one measure, but that alone should not disqualify them if they score well on others that policymakers deem important. Elements should be evaluated objectively and qualitatively, resisting the temptation to reduce the process to simple math, which ultimately requires assigning arbitrary weights to the different categories (Figure 2.3).

Factor #1: Economic Impacts. Economic factors are not only those attributed directly to the project, but also the ancillary gains as the business and its workers spend money and how those dollars reverberate throughout the local and state economy.

Investment reflects the dollars that will be spent in the community—such as building materials, construction labor, site development, etc. It will immediately inject dollars into the local economy as construction crews are put to work and local companies are engaged. Both the construction and operations period create a gain in business activity or the area's economic output.

Figure 2.3
Assessing the Costs/Benefits of Incentive Projects

Factors for Evaluation	Benefits		Costs	
	Direct Project	Ancillary Activity	Direct Project	Ancillary Activity
Economic Factors				
Investment				
Business Activity				
Jobs				
Wages and Income				
Fiscal Factors				
Tax and Other Revenues				
Public Service Costs				
Grants and Financing				
Intangible Factors				
Prestige				
Publicity				
Lifestyle Considerations				
Diversification/ Infrastructure/ Other Issues				

Policymakers place a great deal of emphasis on job creation, which is clearly a beneficial result of economic growth, but it is not one without cost. Jobs create additional demands on government. As job opportunities encourage more people to live in an area, school enrollments grow, traffic increases, demands on water, wastewater, and other public services multiply. The new jobs a project may bring to an area can be a great benefit to the economic well-being of an area, but they can place substantial new demands on government budgets. Income growth is also a positive, but not without ancillary considerations. High wage jobs are preferred, but if the skills of the local workforce are not sufficient to fill the new jobs, the project will likely require hires from outside the area, placing greater demands on housing.

Factor #2: Fiscal Impacts. In 2013, Texas rewrote the provisions of its school tax limitation program under Chapter 313 of the Tax Code to require the Comptroller to evaluate the tax benefits to the state of each project. This figure is to be compared to the amount of benefits received by the taxpayer. If the state gets a better deal than the taxpayer, the project is deemed worthy, and the Comptroller is to approve it. Projects in which the taxpayer's benefit is greater than that of the state are likely to be denied.

While a step in the right direction, this "benefits to benefits" comparison still misses the point. It is simply a test of who got the "best deal," <u>not</u> whether the project was an overall net benefit to the state or the local community.

The proper measure of the *fiscal* benefit of economic development is whether the taxes a project pays ultimately meet or exceed the additional costs the development brings to a jurisdiction—from more cars on the road, more students in school, etc. This approach is commonly used in traditional socio-economic impact assessment studies.

But a detailed analysis of a project's impacts can be complex, involving complex economic modeling of the effects of additional population and public service demands. These are clearly important, but a simpler methodology might assess how the taxes a project pays relative to the jobs it creates compares to the economy as a whole, which would be considered to be at "equilibrium." If a project has a higher ratio of net tax paid per employee than the economy as a whole, it will create a fiscal gain. On the other hand, if a project pays less in taxes relative to the jobs it creates, it may create additional fiscal pressures.

The Council on State Taxation, a Washington-based tax association, compiles an annual assessment of the state and local tax burdens on businesses and individuals across the 50 states. Their 2013 data reveals that for every person a Texas business employs, the business paid $6,077 in state and local taxes—local property, state and local sales, franchise, severance, etc. In effect, each new employer locating in the state paying taxes equal to $6,077 per employee per year would create no direct additional fiscal burden to the state—they would simply maintain the status quo. New employers paying less than that amount in taxes could conceivably create a financial burden; those paying more than that amount would create a fiscal benefit.

Going back to *Companies A and B* in Figure 1, the cost/benefit analysis clearly shows that on the fiscal front, *Company A* clearly had the best pay-back to the state. Over the <u>30</u> years of the project, it would pay $98,966 in taxes per employee each year—far exceeding the increased cost to the state of providing for the additional population, and far exceeding the $25,200 per employee *Company B* would pay during its <u>20</u> years of operation. From a fiscal perspective, both projects "make money" for the state, but *Company A* by far brought the best "bang for the buck" to the table.

The vast difference in tax liability is the result of Texas' heavy tax burden on capital intensive industries. Company A is very capital intensive, and is hit hard by Texas' high property taxes. But even in those years the incentive is in place, the project would pay over $30,000 in taxes per employee—well above the state's "break even" point. Solely from a fiscal perspective, some might express concern over the $51 million in tax discounts received from the government, but what should draw greater attention, and be far more important to policymakers, is the nearly $3 billion in taxes the project would actually pay.

Factor 3: Intangibles. But even then, a fiscal test may not always be the appropriate measure for all projects. Economic development should not simply be about governments seeking to financially profit from growth, but also about creating greater opportunity for its citizens.

Projects can bring prestige, publicity, or lifestyle considerations (such as entertainment events) that benefit an area. For example, the state and local communities used incentives to lure a Formula 1 race to Austin. While the calculation of fiscal returns from the race may be debatable, there is no question that visitors come to Austin from around the world that would not have come otherwise; and no question that a worldwide television audience watching the race sees promotional information about Austin, its surrounding areas, and the state of Texas as a whole.

Jurisdictions may use incentives to diversify their economy, such as broadening their economic base so that the community is not as exposed to a downturn in a single industry. Jurisdictions may use incentives to encourage pollution control, investments in renewable energy, or investments in infrastructure.

By erroneously assigning the value of the taxpayer's benefit as a "cost", Texas evaluates its economic incentives all wrong. The state then looks to the number of jobs the project creates as a "benefit" while ignoring the potential costs of additional public services.

Instead, incentives and the projects they attract should be evaluated on a variety of factors: economic, fiscal, and intangible. Some beneficial projects will create substantial numbers of jobs; some will not. Some beneficial projects will swell tax rolls; some will not. Some will be marquee projects that draw national, or even the worldwide, attention to Texas; some will not. But if Texas is to rationally assess the diverse projects that consider building within our borders, the state must appropriately evaluate the pluses and minuses of each and consider the totality of the data to determine if they are worth the extraordinary application of an incentive.

Part 3: Incentives and Programs Offered in Texas

The Taxonomy of Economic Development Incentives

There are a myriad of ways that economic development programs and incentives have been classified. Generally, the method of classification is determined by the purpose of the study being conducted.

One way to look at economic development programs and incentives is to concentrate on the direction that funds flow from one party to the other. This approach generally divides incentives into two categories:

1. Incentives where the business holds on to its own money—either temporarily or permanently—by not paying taxes on some exempt item or by paying less than they would have without the incentive. This reduces the flow of funds from the business to the government.
2. Incentives where the government provides a direct benefit to the project—either by making a grant or providing a service. These incentives reverse the normal flow of business funds paid to the government.

The flow of funds distinction is primarily important in understanding the "costs" of different programs because of its identification of the difference between:

- "opportunity" costs (money the government gave up the opportunity to collect) and
- "actual" costs (money actually going out of the government's treasury).

Another approach separates incentive programs by focusing on the methodology used for providing them. For instance, Fisher and Peters[9] identify five types of economic development incentives, moving from the most specific to the most general:

1. One-time deals negotiated with individual firms.
2. Grants and loans provided under programs that receive annual state appropriations.
3. Programs establishing parameters and limits but allowing some degree of local government discretion.
4. Incentives that function as entitlements, whereby a firm receives the benefit automatically, provided that its investment is in an eligible sector and the size of the investment or number of jobs created exceeds some threshold.
5. Code features that apply to all firms, but that benefit some more than others and are often advertised by economic development agencies as reasons to locate in a state.

Gorin[10] adds a sixth category: "Changes to state statutes that have the effect of opening markets to firms in particular industries…." Examples of this might include expedited permitting processes, "Renewable Portfolio Standards," or special apportionment formulas for specific industries.

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[9] Peter S. Fisher and Alan H. Peters (1997), "Tax and Spending Incentives and Enterprise Zones," *New England Economic Review March-April, 1997, pp. 109-130,* *www.bos.frb.org/economic/neer/neer1997/neer297f.pdf*

[10] Dan Gorin, "Economic Development Incentives: Research Approaches and Current Views," *Federal Reserve Bulletin*, October 2008.

Fisher and Peters's method of categorizing incentives is useful to demonstrate the broad range of ways that governments attempt to influence economic development. We have chosen to use a modified version of this approach to catalogue the Texas incentives described in this report, and will divide them into four categories:

- Tax Incentives,
- Grant Programs,
- Financing Tools, and the
- Direct Provision of Services.

Not included in the following materials are those tax exemptions and programs that create an overall environment conducive to economic development but are not specific in their application.

The 66 programs for which detailed information is given are among the major ways in which the State of Texas attempts to influence private economic decisions by reducing business costs in order to encourage economic growth in the state. This is not an exhaustive list. Many of the other features of our tax system, and many other activities of government, could be included but they fall outside our limited definition of economic development incentives. For instance, we have purposely excluded the category of state programs that are intended to create a better environment in which the economy can function, as well as programs that create infrastructure that will be appealing to businesses in general. Each of the incentives listed herein is designed primarily to affect specific decisions of specific businesses.

SECTION 1: TAX-RELATED INCENTIVES

These are special treatments within the tax system that are used to generate additional tax revenues that communities may devote to economic development or to lower the cost to a business of making investments or certain purchases in the state. These incentives generally require specific approval of a public body.

Tax programs may be divided into two types:

1. those that create a special designation for a particular area or projects in which taxes may be collected and directed towards economic development, and
2. incentives that provide a specific tax benefit available to an industry or business.

Special Designation Areas/Projects

- Chapter 380 and 381 Development Agreements
- County Assistance Districts
- Defense Economic Readjustment Zone Program
- Defense Economic Readjustment Zone Refunds
- Economic Development Sales Tax
- Improvement Districts
- Municipal Development Corporations
- Municipal Development Districts
- NAFTA Impact Zones
- Neighborhood Empowerment Zones
- Tourism Promotion
- Reinvestment Zones
- Tax Abatements

- Chapter 313 Texas Economic Development Act
- Tax Increment Financing
- Enterprise Zone Program
- Enterprise Zone Refunds

Development-Related Tax Incentives

Franchise Tax
- Clean Energy Project Credit
- Low Producing Oil or Gas Wells
- Research and Development

Natural Gas Production Tax
- High-Cost Gas
- Low Producing Wells
- Orphaned Wells
- Previously Inactive Wells

Oil Production Tax
- Enhanced Efficiency Equipment
- Enhanced Recovery Projects
- Low Producing Leases
- Orphaned Wells
- Previously Inactive Wells

Sales Tax
- Agricultural Items
- Data Centers
- Media Production Locations
- Cable TV, Internet Access and Telecommunications
- Carbon Dioxide Sequestration
- Cooperative Research and Development Ventures
- Research and Development

Property Tax
- Freeport and Goods-in-Transit Exemptions
    - Freeport Goods
    - Goods-in-Transit

Chapter 380 and 381 Development Agreements

Summary: Local Government Code Chapters 380 (cities) and 381 (counties) give city and county governing bodies broad authority to establish and provide for the administration of economic development programs. Because of the flexibility afforded to tailor a development agreement (including tax incentives) to fit the particular needs of any given situation, this has become a much used method of establishing local economic development efforts. Chapter 380 and 381 agreements may include all types of incentives—tax refunds/rebates, grants, financing tools, and services—but most commonly provide tax incentives, and are included here.

Cities: Loans and grants of public funds may be made and public services may be provided to promote state or local economic development and to stimulate business and commercial activity. Grants may be made to tax-exempt organizations and city development corporations for use in diversifying the economy, eliminating unemployment or underemployment, and developing or expanding commerce.

Counties: County Commissioners Courts may develop and administer programs for state or local economic development, small or disadvantaged business development, encouraging business location and commercial activity, promoting or advertising the county, expanding women and minority businesses, supporting literacy programs or encouraging the arts. Programs may be administered with county employees and funds or by contract with another entity. Loans and grants of public money may be made and county personnel and services may be provided to administer development programs. Property tax abatement agreements may be entered into with owners or lessees of a property interest subject to taxation.

Legal Authority: Local Government Code, Chapters 380 (cities) and 381 (counties).

County Assistance Districts

Summary: With voter approval, a county commissioner's court may create a district for specified purposes, including economic development, and may levy a sales tax dedicated to fund its operations.

Legal Authority*:* Local Government Code, Chapter 387

Administering Authority: County Commissioners Court

Eligibility: All counties are authorized to create an assistance district and to approve the levy of a dedicated sales tax within its boundaries for authorized purposes. The district may include any part of the county in which the total of all local sales tax rates is less than two percent and the proposed additional tax will not cause the total rate to exceed the statewide two-percent cap.

Application/Approval Process: The county commissioners court orders an approval election to be held within the proposed district's boundaries as defined in the order. The ballot also must include approval of the proposed tax at a specified rate. If the proposed district would include any territory in a city, notice of intent must be sent to the city council which may decline to be included. Any excluded territory may later be added to the district by an election called by the county with the consent of the city. The county commissioner's court serves as the district's governing body.

Authorized Tax Use: The following functions may be performed by the district:

- construction, maintenance, or improvement of roads or highways, libraries, museums, and parks or other recreational facilities;
- provision of law enforcement or detention services, and services that promote public health and welfare, including firefighting and prevention services; and
- promotion of economic development and tourism.

Among the district's enumerated general powers is the specific authority to acquire, sell, lease, convey, or otherwise dispose of property or an interest in property under terms determined by the district and to contract with a public or private person to perform any authorized act. Other than these broad grants of authority, there are no other statutory delineations of a district's operation.

Defense Economic Readjustment Zone Program

Summary: This program, which is similar to the Enterprise Zone Program, authorizes the use of state and local government incentives to foster business expansion and job creation in cities and counties that are adversely affected by the actual or proposed closure or significant reduction in the operations of federal defense facilities. Benefits that may be provided include exemption or suspension of compliance with government regulations, project financing, reduced fees or utility rates and tax incentives.

Legal Authority: Government Code, Chapter 2310; Tax Code §151.4291

Administrative Rule: 34 Texas Administrative Code §3.329

Administering Authority: Local Governments, Governor's Office, Texas Economic Development Bank (program oversight), Comptroller of Public Accounts (tax refunds)

Eligibility: A readjustment zone must be located in an "adversely affected defense-dependent community," be comprised of an area not larger than twenty square miles with at least fifty percent of it located in a defense facility, and may be included in an enterprise zone. A city or county is an "adversely affected defense-dependent community" if it is expected to experience a loss of one percent of its civilian jobs or of defense worker jobs amounting to 2,500 or more in an urbanized area or 1,000 or more in an area that is not urbanized.

Application/Approval Process: After a public hearing on the matter, the governing body of a city, county or both may nominate territory for designation as a readjustment zone and submit a designation application that details proposed incentives and operations to the Texas Economic Development Bank ("the Bank"). An application may be denied only if the Bank determines that the area does not meet eligibility requirements. Designation as a readjustment zone also constitutes designation of the area as a reinvestment zone for tax abatement or tax increment financing purposes.

Reporting: The zone's governing body must submit an annual operations report to the Bank that includes a list of incentives and their use, the number of businesses assisted, a summary of all industrial revenue bonds, and a description of all revitalization efforts. The Bank in turn issues an annual report that evaluates program effectiveness, describes the use of incentives and suggests needed legislation.

Defense Economic Readjustment Zone Refunds

Summary: Businesses designated as defense readjustment projects may receive a partial refund of state sales taxes dependent upon the number of new permanent or retained jobs in the zone. A readjustment project is entitled to a refund of a portion of sales taxes paid on purchases of machinery and equipment, building materials, construction labor, and electricity and natural gas. The amount of the refund is limited to $2,500 for each new permanent or retained job and may not exceed $250,000 a year. Receipts from services performed in the zone are excluded from the determination of business done in the state for purposes of calculating the franchise tax liability of a business designated as a readjustment project.

Legal Authority*:* Government Code §§2310.404-406; Tax Code §151.4291

Administrative Rule*:* 34 Texas Administrative Code §3.329

Administering Authority*:* Local Governments, Governor's Office, Texas Economic Development Bank, Comptroller of Public Accounts
Eligibility*:* A "qualified" business is one certified by the Economic Development Bank to:

1. Be engaged in or be substantially committed to be engaged in an active business in the zone, and
2. If new jobs are created, have at least 25 percent of its new employees be residents of the governing jurisdiction, economically disadvantaged or dislocated defense workers.

An economically disadvantaged employee is one that: was unemployed for at least three months, receiving public assistance, met the federal definition of low-income or disabled, an imprisoned or paroled offender, or is eligible for federal low or moderate income housing assistance.

Application/Approval Process: A qualified business may request that the Zone's governing body apply to the Bank for designation of the business as a defense readjustment project. If the governing body approves the request, it submits an application to the Bank. The application must contain an economic analysis of the plans of the business, including employment and investment, and describe local revitalization efforts and incentives in detail.

If the application is approved, sales tax refund claims are submitted to the Comptroller.

Also, a city or county governing body may agree in writing to refund its local sales taxes paid by a qualified business or employee or for a partial or total refund of taxes paid by a person making a taxable purchase, lease or rental for development or revitalization in the zone. Local fees and taxes, other than sales and property taxes, imposed on a qualified business or employee may be reduced or eliminated.

Reporting: The Comptroller is required to annually report the amount of tax refunds to the Bank and to certify to the Legislative Budget Board the level of qualified employment.

Economic Development Sales Tax

Summary: Since 1989 cities have been permitted to adopt a sales and use tax to support economic development. Two types of taxes are authorized, Type A and Type B (formerly known as 4A and 4B), which primarily differ in the size of the city authorized to adopt the tax and the permitted uses of tax receipts. The tax may be levied in increments of one-eighth percent up to one-half percent total, provided that the tax rate adopted may not cause the combined local sales tax rate of all local jurisdictions to exceed two percent.

Legal Authority*:* Local Government Code, Chapters 501-505

Administering Authority: Local taxing units, Comptroller of Public Accounts

Eligibility: Type A – Cities in counties with less than 500,000 population and some cities in certain other counties – adopted in 117 cities. Type B – All cities, including those eligible to adopt a Type A tax – 330 cities have adopted a Type B tax. An additional 132 have adopted both Type A and Type B.

Application/Approval Process: A non-profit development corporation must be established by the city to administer the tax receipts. The process of establishing a corporation may be initiated by the city or by application from a group of at least three citizens. To create a corporation, the city council must approve its articles of incorporation which must state the purposes of the corporation and include other required items. Separate corporations must be established to administer a Type A and Type B tax and the board of directors for each differ in required size and qualifications. Board members serve at the pleasure of the city's governing body which must approve all corporation projects and expenditures.
Type B corporations generally are required to publish notice and hold a public hearing before any project may be undertaken and the public then has sixty days to petition for an election on the question of the project's approval. An exception applies for approving Type A projects by Type B corporations in cities under 20,000 population. Type A corporations must hold a public hearing only when considering approval of a Type B project.

The tax must be approved in an election. The city council may call the election or it may be initiated by a petition signed by at least twenty percent of the voters in the most recent city regular election. Similarly, any subsequent increase, decrease or repeal of the tax rate must be approved by election. The tax may be approved for either an unlimited or a specified period of time, including for the duration of a specific project.

Authorized Tax Use: Type A – This tax is intended primarily to support manufacturing and industrial development. Tax proceeds may be used to acquire land, buildings, equipment, facilities, targeted infrastructure and improvements related to projects such as manufacturing and industrial facilities, recycling facilities, distribution centers, small warehouses, military facilities, corporate headquarters and job training facilities used by higher educational facilities. The tax also may fund general aviation business service airports, port-related facilities, certain airport facilities and certain infrastructure improvements that benefit new or expanded business enterprises.
Type B – Tax proceeds may be used to fund all authorized Type A projects. In addition, they can be used to finance a variety of community development projects such as: sports facilities, park and event facilities, tourist and entertainment facilities, affordable housing, and for related parking facilities. Funds may also be spent for transportation, water and sewer, commercial, restaurant and concession, and public safety facilities.

A development corporation may lease and sell, by installment contract or otherwise, all or any part of a project and may donate property to an institution of higher education. A corporation may loan funds to a project user to provide financing for all or part of its cost. Except for closed or realigned military facilities, a corporation may not own or operate a project as a business. A corporation may issue bonds to defray project costs secured by a pledge of tax receipts and project lease and sale proceeds.

The Texas Leverage Fund Program administered by the Governor's Economic Development and Tourism Division (See 10 Texas Administrative Code §§181.1-181.10) provides a financing source for cities to leverage their sales tax receipts if they meet certain eligibility requirements, including a limit on the total amount of corporation obligations. The Fund provides low-interest loans, backed by a pledge of tax receipts, to provide funding for designated projects. The maximum amount of loans outstanding may not exceed a total of $25 million.

Reporting: Each development corporation must submit an annual report to the Comptroller detailing its operations, revenues, assets and expenditures. Based on these reports, the Comptroller submits a report on the use of the tax to the Legislature in advance of each regular session.

Improvement Districts

Legal Authority*:* Local Government Code, Chapter 372

Purpose/Activities: Authorized projects include: landscaping; signs, lighting and fountains; sidewalks and roadways or their rights-of-way; pedestrian malls; art installations; libraries; off-street parking; mass transportation facilities; water, wastewater or drainage facilities; parks; supplemental services related to advertising and promotion; health and sanitation, public safety and security; recreation and cultural enhancement; affordable housing; and business recruitment. Real property may be acquired in connection with any authorized project.
Creation: A city or county governing body may create an improvement district only after receiving a petition requesting its establishment signed by a required number of property owners – those owning properties comprising more than fifty percent of the appraised value and more than fifty

percent of the number of properties in the area. After a feasibility report is prepared and a public hearing is held, the governing body may establish a district.

Revenues: The cost of improvements is recouped by the levy of assessments apportioned among properties using a number of authorized methods to reflect their share of the benefit from the project. In addition, a tax may be levied annually to create a special fund to defray improvement costs and general obligation and revenue bonds may be issued.

Municipal Development Corporations

Legal Authority*:* Local Government Code, Chapter 379A

Purpose/Activities: To facilitate development of a qualified and competent workforce, these corporations have the authority to develop and operate programs for job training, early childhood development, after-school programs, scholarships to public and private higher educational and technical institutions, promotion of literacy and any other undertaking to develop a skilled workforce.

Creation: A city's governing body may create a development corporation, appoints its board of directors, and approves its budget.

Revenues: With voter approval, a sales tax to support corporation activities may be imposed citywide at a rate of up to one-half percent, provided that the rate may not cause the combined rates of all local sales taxes to exceed two percent.

Reporting: The corporation must submit an annual report describing its operations to the Comptroller. In turn, the Comptroller reports to the Legislature on the use of the sales taxes prior to each regular session.

Municipal Development Districts

Legal Authority*:* Local Government Code, Chapter 377

Purpose/Activities: Authorized development projects include all those for which a Type B economic development sales tax may be levied and a convention center and related facilities, including hotels, auditoriums and parking.

Creation: An election must be held to approve a district's creation. The city governing body appoints a board of directors to govern the district.

Revenues: With voter approval, a sales tax may be imposed in the district at a rate of up to one-half percent, provided that the rate may not cause the combined rates of all local sales taxes to exceed two percent. Bonds also may be issued to provide project funding.

NAFTA Impact Zones

Legal Authority*:* Local Government Code, Chapter 379

Purpose/Activities: North American Free Trade Agreement (NAFTA) zones may be created to promote business opportunities for local businesses, economic development or employment opportunities for residents. Zones also must satisfy the requirements for a reinvestment zone for tax abatement purposes.

Creation: Zones are created by a resolution adopted by a city's governing body. Multiple zones may be created and an area may be located in more than one zone.
Financial Incentives*:* A city may waive or adopt fees related to building construction and may enter into agreements for up to ten years duration to abate its property taxes or to refund its sales taxes on purchases made in the zone. Businesses that receive tax benefits must make a good faith effort to hire individuals receiving federal NAFTA transitional adjustment assistance and annually report the number of such hires.

Neighborhood Empowerment Zones

Legal Authority*:* Local Government Code, Chapter 378

Purpose/Activities: These zones may be created to: promote the creation or rehabilitation of affordable housing; enhance the quality of social services, education or public safety; or increase economic development. Zones also must satisfy the requirements for a reinvestment zone for tax abatement purposes.
Creation: Zones are created by a resolution adopted by a city's governing body. Multiple zones may be created and an area may be located in more than one zone.

Financial Incentives*:* A city may waive or adopt fees related to building construction and may enter into agreements for up to ten years duration to abate property taxes or to refund sales taxes on purchases made in the zone.

Tourism Promotion

Legal Authority*:* Tax Code, Chapters 351 (cities) and 352 (counties)

Hotel Occupancy Tax: Cities and certain specified counties may adopt a hotel occupancy tax to fund the promotion of tourism. Most cities may not levy a tax rate in excess of seven percent but a limited number may levy a rate of up to nine percent depending on the provisions of authorizing legislation. With limited exceptions for particular counties, county tax rates also may not exceed seven percent.

Use of Revenue: City tax revenue may be spent for:

- Acquisition of sites for, and the construction, maintenance, repair and operation of, convention and visitor information centers,
- Facilities, personnel and materials for registering convention attendees,
- Advertising and promotional programs to attract tourists,
- Encouragement, promotion, improvement and application of the arts,
- Historical restoration and preservation and the promotion of the visitation of historic sites,
- Expenses directly related to sporting events in counties with a population of a million or more,
- The enhancement and upgrading of publicly owned sports facilities or fields in certain cities,
- Constructing, maintaining, equipping and operating a coliseum or multiuse facility in certain cities,
- Signage providing directions to popular sites and attractions,
- Construction of a recreational venue in the immediate vicinity of area hotels in certain cities.

County tax revenue generally may be spent for similar purposes. However, the list of approved expenditures varies depending on factors such as population and location. Depending on the size of the city or county, certain limitations apply to the percentage of tax revenues that may be spent for a particular purpose. For example, cities of 200,000 population or more must spend at least fifty percent of the revenue on advertising and promotions to attract tourists. Tax revenues also may be pledged to provide bond financing.

Tax Administration: Hotel operators collect the taxes and remit them directly to the city or county and may be permitted to retain up to one percent as reimbursement for collection expenses.

Reinvestment Zones

***Summary**:* Reinvestment Zones are the basic building block on which several economic development programs are constructed. A primary reason for this is to allow for special treatment of certain property under the property tax, because taxation of property at any amount less than its market value must be constitutionally authorized. The authority to reduce property taxes to encourage economic development and to dedicate the revenue derived from increases in property values is found in Art. VIII, Sec. 1-g, of the Texas Constitution. This provision allows the Legislature to permit local taxing units to grant exemptions or other relief "on property located in a reinvestment zone." It also provides authorization for legislation to permit cities to use debt financing for "the development or redevelopment of an unproductive, underdeveloped or blighted area" and to pledge the tax revenues of the city and other taxing jurisdictions resulting from property value increases in the area. Designation as a reinvestment zone also opens up the possibility of assigning incremental growth in local sales taxes to certain economic development purposes.

There are no constitutional requirements or limitations on an area that may be designated as a reinvestment zone, but some programs have statutory requirements that must be met for a zone to qualify. Designation of an area as an enterprise zone under the Enterprise Zone Program automatically qualifies the area as a reinvestment zone as well.

Tax abatements, Texas Economic Development Act value limitations, and tax increment financing all require that a business be located in a reinvestment zone created by official action of the appropriate local jurisdiction. Each has separate requirements, both for the area that may be included and the businesses that qualify for benefits provided.

Tax Abatements (Reinvestment Zones)

Local governments, except school districts, may enter into agreements with property owners to exempt from property taxation all or part of the value of real or personal property located in a reinvestment zone for a period of up to ten years on condition that the property owner makes specific improvements or repairs to the property. Prior to entering into a tax abatement agreement, the local jurisdiction must have established the zone and adopted guidelines and criteria to establish the conditions that must be met in order to be eligible for an abatement. The guidelines, however, do not limit the governing body's discretion to choose whether or not to enter into any particular abatement agreement. Each jurisdiction must adopt its own guidelines, and not all jurisdictions with authority to tax particular property must have the same guidelines.

The area included in a reinvestment zone for tax abatement purposes must:

1. Negatively affect sound community growth, retard housing development, or constitute an economic or social liability and be a menace to public health, safety, morals or welfare

because of the presence of certain substandard conditions, including substandard structures, defective streets or sidewalks, faulty lot conditions, unsanitary or unsafe conditions, site or improvement deterioration, tax or assessment delinquencies that exceed land values, defective or unusual titles, or conditions endangering life or property;
2. Be predominately open land and impair growth because of the deteriorating condition of any structures;
3. Be in or adjacent to a federally assisted new community in a home-rule city;
4. Be located entirely in an area that meets the requirements for federal housing and community assistance;
5. Encompass outdoor advertising structures designated for relocation, reconstruction or removal to enhance a city's physical environment; or
6. Be reasonably likely to contribute to the expansion of primary employment or to attract beneficial major investment that would contribute to the economic development of the region.

A property owner who meets the guidelines adopted by the local government involved negotiates a tax abatement agreement under terms satisfactory to both parties. Abatement agreements entered into between a property owner and a local jurisdiction apply only to the taxes levied by that specific jurisdiction. Other jurisdictions in which the property is located are not required to enter into an abatement agreement and may negotiate different terms if they do.

Reporting: The property owner must file an annual *Application for Property Tax Abatement Exemption* with the appraisal district. The Comptroller is required to maintain a central registry of executed tax abatement agreements and the chief appraiser of a county that contains abated property must file an annual report with the Comptroller containing a description of the reinvestment zone, a copy of each tax abatement agreement and any other required information. The Comptroller must file a report on the information reported with the Legislature and the Governor before each regular session.

Legal Authority*:* Tax Code, Chapter 312

Administering Authority: Local taxing units

Chapter 313 Texas Economic Development Act (Reinvestment Zones)

A school district's board of trustees may designate an area entirely within the district's boundaries as a reinvestment zone for property value limitation purposes pursuant to a finding that it is reasonably likely to contribute to the expansion of primary employment or to attract beneficial major investment that would contribute to the economic development of the region. If a district establishes a reinvestment zone for value limitation purposes, it may enter into agreements with certain property owners or lessees to limit the taxable value of new investments in real and tangible personal property provided that a prescribed minimum level of investment is made. The limitation lasts for eight years and applies only to taxes levied for purposes of maintenance and operations.

To be eligible for a value limitation, applicants must agree to make a minimum amount of qualified investment ranging from $1 to $100 million in real or tangible personal property, depending on the amount of taxable value in the school district and whether it is located in certain rural counties or not. The property must be devoted to manufacturing, research and development, a clean coal project, an advanced energy project, renewable energy electric generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation, or a computer center used primarily in connection with one of the other approved uses, and a Texas priority project.

A Texas priority project is defined as a project on which the applicant has committed to expend or allocate a qualified investment of more than $1 billion.

Unless waived by the school district, an applicant must create a minimum number of qualifying new jobs (ten in certain rural counties and twenty-five elsewhere). A qualifying job means a permanent job requiring 1,600 hours of work annually that:

1. cannot be transferred from one part of the state to another part or replace a previous employee; and
2. is covered by an 80 percent employer-paid group health insurance plan and pays ten percent above average wages in the county.

The average weekly wage for all jobs created by the owner that are not qualifying jobs must exceed the county average weekly wage for all jobs in the county where the jobs are located. An applicant may alternatively satisfy the qualified jobs requirement if the Texas Workforce Commission determines that the cumulative economic benefit of related jobs created in connection with the project (including those employed by third party contractors) is the same or greater than that associated with the minimum number of required jobs. If the Governor's Office of Economic Development and Tourism determines that two or more projects in different school districts constitute a "single unified project," the new qualifying jobs in each agreement may be combined for purposes of determining whether the minimum qualifying job requirement has been satisfied.

Most applicants must make the required amount of qualified investment between the time the agreement is approved and the end of the second complete tax year following. Nuclear power projects have seven years and advanced clean energy projects have five years to make qualified investments. Qualified investment includes certain types of personal property and structures but not land. However, the property that may receive a value limitation includes land and qualified investments made any time after the application is filed.

The minimum amount of qualified investment is subject to M&O taxation for the duration of the agreement. The limitation applies for a period of 10 years, commencing on January 1 of the first tax year that begins after the application date, the qualifying time period, or the date commercial operations begin at the site of the project. The qualifying period may be deferred to a date not later than January 1 of the sixth tax year after the date the application is approved.

Cities and counties may levy an impact fee on the owner of qualified property to cover the cost of providing related, necessary infrastructure improvements, including those for water, wastewater, storm water and roads.

Application/Approval Process: The property owner files a Comptroller-approved application form with the school district. If the school district chooses to consider the application, it is forwarded to the Comptroller, who determines whether the property described in the application meets the legal requirements and an applicant may request a hearing before the State Office of Administrative Hearings (SOAH) to contest a negative determination; further appeal may be made to district court.

If the Comptroller determines that the property is eligible for a limitation, the Comptroller performs an economic impact evaluation of the application within 91 days and makes a recommendation to the school district on whether to accept or reject it. The Comptroller must also submit the application to the Texas Education Agency for a determination of the impact of the applicant's proposal on the number or size of the school district's instructional facilities. TEA must submit a written report to the school district within 46 days.

The Comptroller must conduct an economic impact evaluation assessing whether the taxes generated by the project exceed the benefits received by the applicant. If so, the Comptroller may issue a certificate for a limitation on the taxable value of the property and provide the certificate to the school district not later than 90 days after receiving the application. If the Comptroller decides not to issue the certificate, the Comptroller must give the school district a written explanation. The school district has up to 151 days to act on an application, but may not approve an application unless the Comptroller submits a certificate for a limitation on appraised value of the property. Before issuing a certificate, the Comptroller must determine that the limitation is a determining factor in the applicant's decision to invest capital and construct the project in Texas. The Comptroller must also find that the proposed project is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, state tax revenue, school district M&O ad valorem tax revenue, and any other tax revenue attributable to the effect of the project on the state economy in an amount sufficient to offset the school district M&O ad valorem tax revenue lost as a result of the agreement.

Reporting: Property owners must submit to the Comptroller each year an eligibility report on the status of limitation agreements. The Comptroller shall assess a penalty against an applicant if the applicant fails to meet the minimum requirement for qualifying jobs. The Comptroller shall submit a biennial report assessing the progress of all agreements to the Lieutenant Governor, Speaker of the House, and all legislators. Each year the State Auditor must conduct an audit of at least three major agreements to determine whether they accomplish the purposes of the Act, whether they comply with the legislative intent of the Act, and whether changes in program administration are needed to increase efficiency.

Legal Authority: Tax Code, Chapter 313

Administrative Rules: 34 Texas Administrative Code §§9.1051-9.1058

Administering Authority: Local school districts, Comptroller of Public Accounts, the Governor's Office of Economic Development and Tourism, Texas Education Agency, and the Texas Workforce Commission.

Tax Increment Financing (Reinvestment Zones)

Cities are allowed to use tax increment financing to pay for structural and infrastructure improvements to support business investments (a 2011 Constitutional amendment which would have extended the authority to counties failed passage). The area included in a tax increment financing zone must meet all of the requirements of a reinvestment zone plus a number of additional conditions, among which are: no more than 30% of zone properties may be residential; in a city under 100,000, property values in the zone may not be more than 50% of the total value in the city; and in cities over 100,000 population, no more than 25% of the city's total appraised value may be in the zone and no more than ten percent of the square footage of commercial, industrial or multi-family structures may have been occupied in the preceding twelve years.

The cost of making improvements in a tax increment zone is repaid by all or a portion of the property taxes paid on the increased value resulting from subsequent private investments, other improvements made in the zone, and growth in the value of existing properties ("captured value"). The sales taxes paid on increased taxable sales in the zone may also be used to repay project costs. Not every jurisdiction with authority to tax within the tax increment zone must participate in it. Each affected taxing unit can choose whether to participate and what portion of their increased tax receipts, or tax increment, to contribute.

Application/Approval Process: The process of establishing a reinvestment zone for tax increment financing purposes may be initiated by a taxing unit's governing body on its own motion or by a petition filed by the owners of properties that comprise fifty percent or more of the appraised value within the proposed zone.

A number of actions are required before a zone is created, including: preparation of a preliminary zone financing plan by the creating taxing unit's governing body; a public hearing on the zone's creation must be held followed by a prescribed official action of the governing body; and the zone's board of directors must prepare both project and financing plans containing specified information and a recommended implementation plan for the governing body's approval.

Reporting: The governing body of the zone must annually report to the chief executive officer of each affected taxing unit the increment fund revenues and expenditures, debt service requirements, amount of captured value, and information demonstrating plan compliance. Before April 1 of the year following zone creation or plan approval, a report containing its description, guidelines and criteria, project and investment plans, and any other required information is submitted to the Comptroller who is required to maintain a central registry of zone descriptions, project and financing plans, and annual reports. The zone's annual report listed above also must be sent to the Comptroller who annually issues a report summarizing the information submitted for each zone.

Legal Authority*:* Tax Code, Chapter 311

Administering Authority: Local taxing units

Enterprise Zone Program

Summary*:* The Texas Enterprise Zone Program provides for the use of state and local government incentives to induce job creation and private investment in distressed areas by easing governmental regulations and providing economic development program benefits and tax incentives.

Legal Authority: Government Code, Chapter 2303

Administrative Rules*:* 10 Texas Administrative Code §§176.1-176.5

Administering Authority*:* Local Governments, Governor's Office, Texas Economic Development Bank

Eligibility: An area is automatically eligible for designation as an enterprise zone if it is:

1. A census block in which at least twenty percent of its residents have incomes below the federal poverty level;
2. Designated by the federal government as a renewable community, empowerment zone, or enterprise community; or
3. Located in a distressed county, defined as one that has a poverty rate above 15.4 percent, an adult population which includes 25.4 percent that do not have a high school diploma or equivalency certificate, and an unemployment rate above 4.9 percent for the preceding five years.

Application/Approval Process: The governing body of the city or county with jurisdiction over the area makes application to the Texas Economic Development Bank for designation and is the zone's governing body. Once a zone has been established, a "qualified" business may request that the governing body apply to the Bank for designation of a project or activity as an enterprise project if it is for relocation of a business from out-of-state or for expansion, renovation or new construction at an existing business. If the governing body approves the business's request, it submits an application to the Bank for the project designation.

A qualified business is defined as one that is: Engaged in, or substantially committed to be engaged in, business in the zone and will have at least 25 percent of its new employees be residents of the zone or economically disadvantaged individuals. A business that is not in an area of the state that qualifies as an enterprise zone may request that the governing body of the city or county apply to the Bank for designation of a project as an enterprise project if at least 35 percent of its new employees will be residents of any enterprise zone or economically disadvantaged individuals.

An economically disadvantaged employee is one that: has been unemployed for at least three months, receives public assistance, is federally defined as low-income or disabled, an imprisoned or paroled offender, or is eligible for federal low or moderate income housing assistance.

The application for enterprise project designation must include the order or ordinance approving the submission and contain prescribed information describing the nominated project or activity and identifying all associated local tax, financial and program incentives and benefits. A public hearing must be held before adoption of the ordinance or order. The application also must contain an economic analysis that includes a long list of items describing new or retained jobs, the amount of investment, completion schedules, and all local revitalization and development efforts made by the nominating governing body, the qualified business and all other affected entities. Applications are accepted quarterly on the first working day of March, June, September and December.

The Bank may not designate more than 105 enterprise projects during any state fiscal biennium and no more than six may be designated for each nominating governing body. A qualified business may obtain multiple concurrent enterprise project designations. Designations are made on a competitive basis using a weighted scale in which 40 percent of the evaluation depends on the economic distress in the area, 25 percent on the local development and revitalization efforts, and 35 percent on the level of cooperation and support committed to the revitalization goals of all zones within the governmental entity and the type and wage level of the jobs to be created or retained. The Bank approves designations for a period of one to five years. Designation as an enterprise zone also constitutes designation of the area as a reinvestment zone for tax abatement, school value limitations or tax increment financing purposes. However, local designation of an area for one of those purposes does not automatically qualify the area as an enterprise zone.

Reporting: By October 1 of every year the governing body must submit a report to the Bank summarizing all local incentives, the total number of businesses benefiting and the industrial bonds used to finance enterprise projects. The Comptroller reports to the Bank on the total number of jobs created and retained in the State and the amount of sales tax refunds made.

Enterprise Zone Refunds

Summary: Businesses designated as enterprise projects may receive a partial refund of state sales taxes dependent upon the level of capital investment and jobs created or retained.

Legal Authority: Government Code §§2303.407, 4071 & 504; Tax Code §151.429
Administrative Rule: 34 Texas Administrative Code §3.329

Administering Authority: Governor's Office, Texas Economic Development Bank (program oversight), Comptroller of Public Accounts (state sales tax refunds), Local Governments (local tax refunds)

Eligibility: A maximum number of new permanent or retained jobs for which a state sales tax refund may be obtained is allocated by the Economic Development Bank to an enterprise project based on the amount of capital investment made as shown below.

Capital Investment	Maximum Number of Jobs	Maximum Refund Per Job	Maximum Total Refund
$40,000 to $399,999	10	$2,500	$25,000
$400,000 to $999,999	25	$2,500	$62,000
$1 ml but less than $5 ml	125	$2,500	$312,500
$5 ml but less than $150 ml	500	$2,500	$1,250,000
Double Jumbo Project: $150 ml to $249.9 ml	500	$5,000	$2,500,000
Triple Jumbo Project: $250 ml plus	500	$7,500	$3,750,000

The maximum refund that can be made in any state fiscal year is limited to $750,000 for a triple jumbo project, $500,000 for a double jumbo project and $250,000 for all other enterprise projects. A qualified business that has been operating in the jurisdiction of the governing body for three consecutive years and is retaining ten or more jobs also may receive a onetime refund of sales taxes paid on purchases of machinery and equipment for use in the zone. The amount of the refund is limited to $500 for each retained employee up to a maximum total refund of $5,000.

In addition, a city or county governing body may agree in writing to directly refund the local sales taxes paid by a qualified business or employee or for a partial or total refund of taxes paid by a person making a taxable purchase, lease or rental for development or revitalization in the zone. Local fees and taxes, other than sales and property taxes, imposed on a qualified business or employee may be reduced or eliminated.

Application/Authorization: All state sales tax refund claims are submitted to the Comptroller. Any refunds of local sales taxes are handled according to the agreement between the business and the local jurisdiction.

Reporting: The Comptroller reports to the Bank on the total number of jobs created and retained and on the amount of sales tax refunds made.

Franchise Tax: Clean Energy Project Credit

Beginning September 1, 2013, the entity designated in a certificate of compliance for a clean energy project may receive a total tax credit equal to ten percent of the project's total capital cost or $100 million whichever is less. The amount of the credit that may be taken each year is based on the taxable margin resulting from the sale of power and any products produced by electric generation and may not exceed the total amount of tax due. To be eligible for the credit, the project must: be implemented in connection with a new facility, be issued a certificate of compliance from the Railroad Commission, have completed construction, have a fully operational associated electric generating facility, be verified by the Bureau of Economic Geology at the University of Texas at Austin as sequestering at least seventy percent of the carbon dioxide resulting from the generation of electricity, and have an interconnection agreement with the Electric Reliability Council of Texas.

Legal Authority: Natural Resources Code §§120.001 and 120.004, Tax Code §171.652

Franchise Tax: Low Producing Oil or Gas Wells

The total revenue from low producing oil or gas wells is excluded during dates when the monthly average closing price, as certified by the Comptroller, is below $40 per barrel for West Texas Intermediate crude oil and $5 per million British thermal units for natural gas. The well must be designated by the Railroad Commission or similar authority of another state as having average daily production over a ninety-day period of less than ten barrels of oil or 250 thousand cubic feet (mcf) of gas.

Legal Authority: Tax Code §171.1011(r) & (s)

Administrative Rule: 34 Texas Administrative Code §3.587(e)(13)

Franchise Tax: Research and Development (R&D)

Eligible taxpayers may choose annually between:

1. a franchise tax credit for research and development equal to 5.0 percent of the amount that eligible R&D spending in Texas in a year exceeds 50 percent of the average of the previous three years. A taxpayer may claim a higher credit amount of 6.25 percent if their R&D spending includes contracts with institutions of higher education. The franchise tax credit is limited to no more than 50 percent of the amount of franchise tax that is due, but unused credits may be carried forward indefinitely. Credits are not transferrable or assignable, or
2. a sales tax exemption for equipment and software purchased for qualified research as defined in the Internal Revenue Code.

The Comptroller is required to report to the Legislature on the economic impacts relating to the exemption and the credit and may require companies to provide information necessary for her to prepare the report. A complete initial report is not due until 2017. The exemption/credit expires December 31, 2026.

Legal Authority: Tax Code §151.3186 (sales tax) & §§ 171.651 – 171.665

Administrative Rule: 34 Texas Administrative Code §3.340

Natural Gas Production Tax: High-Cost Gas

Natural gas extracted from wells certified as high-cost wells by the Railroad Commission is taxed at a reduced rate for the first ten years of production or until the cumulative value of the tax reduction equals fifty percent of the well's drilling and completion costs, whichever happens first. High-cost gas is defined by reference to the type of geologic formation or the method used to produce the gas. After Commission certification that the well qualifies, the well operator applies to the Comptroller for the applicable rate reduction.

The amount of tax rate reduction is based on a comparison of the certified well's drilling and completion costs with the median of such costs as determined by the Comptroller from data reported on applications received during the previous year. The reduced rate is applied to the first 120 months of production up to a maximum amount of one-half of the well's completion costs.

Legal Authority: Tax Code §201.057

***Administrative Rule**:* 16 Texas Administrative Code §3.101; 34 Texas Administrative Code §3.21

Natural Gas Production Tax: Low Producing Wells

A tax credit is triggered for the production from a low producing gas well when the taxable price of gas drops below certain levels. A qualifying well is one with average daily production of less than 90 Mcf during a three-month period as reported to the Railroad Commission on monthly well production reports. When the Comptroller's monthly certification of the average taxable price of gas, adjusted to 2005 dollars, during the previous three months is between $3 and $3.50 per Mcf and an exemption application is filed, production from the qualifying well is entitled to a twenty-five percent tax credit. A fifty percent credit applies when the certified average price per Mcf is $2.50 to $3 and a full credit when the price is below $2.50.

Legal Authority: Tax Code §201.059

***Administrative Rule**:* 34 Texas Administrative Code §3.23

Natural Gas Production Tax: Orphaned Wells

The production of natural gas from a well certified by the Railroad Commission as not having any reported production or other regulated activity for the preceding twelve months is exempt from taxation. After obtaining certification of the well from the Commission, an application for the exemption must be submitted to the Comptroller. Production is exempt as long as the first producer from the orphaned well continues to operate it.

Legal Authority: Tax Code §§201.053, 201.058(a), and 202.060

Natural Gas Production Tax: Previously Inactive Wells

Gas produced from wells certified by the Railroad Commission as not having produced oil or natural gas in more than one month during the preceding two years qualifies for a 10 year exemption. Applications for a certification could not be filed after August 31, 2009 and the Commission could not make a new certification after February 28, 2010. After obtaining certification of the well from the Commission, an application for the exemption must be submitted to the Comptroller.

Legal Authority: Tax Code §§201.053, 201.058(a), and 202.056

Administrative Rule: 16 Texas Administrative Code §3.83

Oil Production Tax: Enhanced Efficiency Equipment

A tax credit equal to ten percent of the cost of enhanced efficiency equipment used to produce oil from a marginal well may be obtained. Enhanced efficiency equipment must be approved by an accredited petroleum engineering program at a higher educational institution in the state to reduce the energy used to produce oil by more than ten percent per barrel. A marginal well is one that on average produces ten barrels or less a day during a month. An application for the exemption must be submitted to the Comptroller.

Legal Authority: Tax Code §202.061

Administrative Rule: 34 Texas Administrative Code §3.40

Oil Production Tax: Enhanced Recovery Projects

Oil produced from a Railroad Commission-designated new or expanded enhanced recovery project is taxed at 2.3 percent, which is one-half of the normal rate. An additional fifty percent rate reduction (to 1.15 percent) applies for a period of thirty years if the Commission certifies that anthropogenic carbon dioxide is used in the enhanced recovery project.

Legal Authority: Tax Code §§202.052, 202.054 and 202.0545

Administrative Rule: 34 Texas Administrative Code §3.37; 16 Texas Administrative Code §3.50

Oil Production Tax: Low Producing Leases

Similar to the tax credit for a low producing natural gas well, a tax credit is available for production from a low producing oil lease when the taxable price of oil drops below certain levels. A qualifying lease is one with production during a ninety-day period of less than fifteen barrels a day or five barrels of recoverable oil per barrel of produced water. When the Comptroller's monthly certification of the average taxable price of oil, adjusted to 2005 dollars, during the previous three months is between $25 and $30 per barrel, and an application is filed, production from the lease during the month is entitled to a twenty-five percent tax credit. A fifty percent credit applies when the certified average price per barrel is $22 to $25 and a full credit when the price is below $22.

Legal Authority: Tax Code §202.058

Administrative Rule: 34 Texas Administrative Code §3.39

Oil Production Tax: Orphaned Wells

The production of oil from a well certified by the Railroad Commission as not having any reported production or other regulated activity for the preceding twelve months is exempt from taxation. After obtaining certification of the well from the Commission, an application for the exemption must be submitted to the Comptroller. Production is exempt as long as the first producer from the orphaned well continues to operate it.

Legal Authority: Tax Code §202.060

Oil Production Tax: Previously Inactive Wells

Oil produced from wells certified by the Railroad Commission as not having produced oil or natural gas in more than one month during the preceding two years qualifies for a 10-year exemption. Applications for certification could not be filed after August 31, 2009 and the Commission could not make a new certification after February 28, 2010. A similar exemption for production from three-year inactive wells expired in 1996. After obtaining certification of the well from the Commission, an application for the exemption must be submitted to the Comptroller.
Legal Authority: Tax Code §202.056

Administrative Rule: 16 Texas Administrative Code §3.83

Sales Tax: Agricultural Items

An agricultural operator may register with the Comptroller and receive specific authority to exercise a sales tax exemption for items used in agricultural operations. Among the eligible items are various work animals, animals that ordinarily constitute food, feed, seed, fertilizers, and other chemicals. Also exempt is machinery and equipment used on a farm or ranch or in the processing, packing or marketing of the producer's agricultural products or the control of pollution caused thereby. An exemption applies to sales of bins used for transporting fruits or vegetables from the field to be processed, packaged or marketed. Poultry cages are similarly exempted. Component parts of an underground irrigation system and ice used by commercial fishing boats are exempt as well.

Legal Authority: Tax Code §§151.316 and 151.342

Administrative Rule: 34 Texas Administrative Code §3.296

Sales Tax: Data Centers

Sales tax refunds are available for purchases of a long list of items (including among others electricity, computer equipment, software, and mechanical, plumbing and electrical systems) necessary and essential to the operation of a qualifying data center.

To qualify a data center must make specific application to the Comptroller and:

- be a new or refurbished facility of at least 100,000 square feet in a single building or portion thereof with an uninterruptable power source,
- be used by a single occupant,
- not be used to deliver telecommunications services,
- create at least 20 full-time jobs, not including those moved from elsewhere in the state, paying at least 120% of the county average wage, and
- make a capital investment of at least $200 million over a five-year period.

The exemption is good for 10 years for a $200 to $250 million data center and for 15 years for one with greater than a $250 million capital investment. Qualifying data centers may not apply for a school property tax value limitation under Chapter 313, Tax Code.

***Legal Authority*:** Tax Code §151.3186

Administrative Rule: 34 Texas Administrative Code §3.335

Sales Tax: Media Production Locations

Items sold, leased or rented to construct, maintain, expand, improve, equip or renovate media production location facilities are exempt if the sale or use takes place in a Media Production Development Zone approved by the Governor's Music, Film, Television and Multimedia Office. If requested by a city or county, the Office may recognize a media production zone if it meets certain designated criteria, including being located in a metropolitan statistical area with a central city of over 250,000 population. The Comptroller, based on a submitted economic impact analysis, must certify that there will be a positive impact on state revenue. There may be no more than ten zones at any given time and no more than five in a region as defined by the Office. Each zone may contain a maximum of three media production locations. A zone designation lasts for five years and the production location sales tax exemption expires after two years.

Legal Authority*:* Government Code §§485A.051- 485A.252; Tax Code §151.3415

Sales Tax: Cable TV, Internet Access and Telecommunications

A credit is available for state sales taxes paid on the "sale, lease, rental or storage, use, or other consumption" of tangible personal property directly used by a provider or subsidiary in distributing cable TV, providing Internet access or transmitting telecommunications services. Property used in providing data processing or information services is excluded. Also excluded is property that is covered by a Chapter 313 agreement to limit valuation for school property tax purposes. An annual application for the credit must be filed with the Comptroller. The total amount of credits statewide is limited to $50 million in a given year and is distributed in pro rata shares when total claims exceed that amount.

Legal Authority**:** Tax Code §151.3186

Administrative Rule: 34 Texas Administrative Code §3.345

Sales Tax: Carbon Dioxide Sequestration

An exemption is available for items used in connection with a clean energy or enhanced clean energy project to inject carbon dioxide into a geologic formation. Exemption is extended to components essential to capture, prepare for transportation, transport or inject the gas. The sequestration must be part of an enhanced oil recovery project that qualifies for a reduced oil production tax rate.

Legal Authority: Natural Resources Code, §120.001; Health & Safety Code, §382.003; Tax Code, §151.334

Administrative Rule: 34 Texas Administrative Code §3.326

Sales Tax: Cooperative Research and Development Ventures

Items created, developed or modified by certain federally defined joint research and development ventures are exempt from tax when sold to a participating entity. Also exempt are purchases by certain joint ventures of items with a useful life exceeding six months.

Legal Authority: Tax Code §151.348

Sales Tax: Research and Development (R&D)

Eligible taxpayers may choose annually between:

1. a sales tax exemption for equipment and software purchased for qualified research as defined in the Internal Revenue Code, or
2. a franchise tax credit for research and development (R&D) equal to 5.0 percent of the amount that eligible spending in Texas in a year exceeds 50 percent of the average of the previous three years. A taxpayer may claim a higher credit amount of 6.25 percent if their R&D spending includes contracts with institutions of higher education. The franchise tax credit is limited to no more than 50 percent of the amount of franchise tax that is due, but unused credits may be carried forward indefinitely. Credits are not transferrable or assignable, or

The Comptroller is required to report to the Legislature on the economic impacts relating to the exemption and the credit and may require companies to provide information necessary for her to prepare the report. A complete initial report is not due until 2017. Expires December 31, 2026.

***Legal Authority*:** Tax Code §151.3186 (sales tax) & §§ 171.651 – 171.665

Administrative Rule: 34 Texas Administrative Code §3.340

Property Tax: Freeport and Goods-in-Transit Exemptions

Summary: Local taxing units may grant a property tax exemption for certain tangible personal property that resides in the jurisdiction only temporarily during its transport. Two types of exemption are available. The primary difference between the two is that while goods-in-transit must be located at a location that is not controlled by the owner, freeport goods may be exempt when they are in the hands of the owner.

Legal Authority*:* Texas Constitution, Article VIII, §§1-j and 1-n; Tax Code §§11.251, 11.253 and 11.437

Administering Authority: Local taxing units and central appraisal districts

Property Tax: Freeport Goods

Tangible personal property and ores – excluding oil, natural gas and other petroleum products – are exempt from property taxes if:

1. Acquired in or imported into the state to be forwarded outside the state;
2. Detained for assembling, storing, manufacturing, processing or fabricating by the person who acquired or imported the property; and
3. Transported outside the state within 175 days of acquisition or importation, or up to 730 days for aircraft parts if so approved by a taxing unit's governing body.

The owner of the property on January 1 does not have to be the owner of the property when it is transported outside the state.

The operator of a warehouse used primarily for storing cotton for transportation outside the state may apply for an exemption of cotton that qualifies as freeport goods on behalf of all the different owners storing cotton in the warehouse. Such cotton is presumed to have been transported outside the state within 175 days. The governing body of a county, city, school district or junior college district was given an option to exempt freeport goods at the time the constitutional provision passed in 1989, or to continue to tax them. If they later decide to exempt freeport goods, they may not take further action to void that decision.

Property Tax: Goods-in-Transit

Tangible personal property and ores – excluding oil, natural gas and other petroleum products – are exempt from property taxes if:

1. Acquired in or imported into the state to be forwarded to a location within or outside the state;

2. Detained for assembling, storing, manufacturing, processing or fabricating at a location that is not owned or under the control of the tangible personal property's owner; and
3. Transported to another location in the state or outside the state within 270 days of acquisition or importation.

The owner of the property on January 1 does not have to be the owner of the property when it is transported to another location inside or outside the state.

The governing body of a county, city, school district or junior college district may elect to tax goods-in-transit but must hold a public hearing on the issue before taking such action. If they later decide to exempt goods-in-transit, they may not take further action to void that decision.

Application/Approval Process: The property owner must submit an application for exemption with the central appraisal district by April 30 of each year. By written notice the chief appraiser may require the property owner to provide copies of property records and the exemption is forfeited for the year if the information is not provided within 31 days. A cotton warehouse operator submits a one-time application that is valid until the warehouse changes ownership or the cotton no longer qualifies, but the chief appraiser may by written notice require a new exemption form to be filed in any year.

SECTION 2: GRANT PROGRAMS

Grants are payments made by a government to a business that agrees to do certain things, e.g., create qualifying jobs, invest in specified areas, etc. Unlike tax incentives, grants are typically made from general, or fungible, sources of revenue, rather than revenues specifically associated with the entity that receives the grant. Most of these programs include an application and approval process in which the government has discretion in approving applications. These programs involve payment from government to a business and are generally subject to appropriations limits. However, some grant programs have dedicated sources of revenue and do not require repeated appropriation. Grant programs include:

- Agricultural Biomass and Landfill Diversion Incentive
- Defense Economic Adjustment Assistance Grant Program
- Moving Image Industry Incentive Program
- Texas Enterprise Fund
- The Events Funds
    - Events Trust Fund
    - Major Events Trust Fund
    - Motor Sport Racing Trust Fund
    - Special Events Trust Fund
- Young Farmer Grant Program

Agricultural Biomass and Landfill Diversion Incentive

Summary: The Agricultural Biomass and Landfill Diversion Incentive provides incentives to build and operate facilities that use biomass to generate electricity by reducing the effective cost of those materials to the electric generator. The generation facility must have been placed in service after August 31, 2009, meet certain environmental requirements, and sell the electricity to a third party. The program reimburses operators of biomass electric generation facilities $20 per ton for "grants" they give to farmers, loggers, or diverters for providing agricultural biomass suitable for conversion into electricity. Facility operators that process unsuitable biomass into a form suitable for producing electric energy are also eligible for grants under this program. Facility operators are to be reimbursed for the grants they paid to biomass providers on a quarterly basis by the Department of Agriculture from funds available for that purpose. The program is subject to a $30 million per year overall limit and has a $6 million per year cap on the amount that can be paid to any single operator. Although the program was created in 2007, and remains authorized in statute, it has not received any funding as of this date.

Legal Authority: Agriculture Code, Chapter 22

Administrative Authority: Department of Agriculture, which is to develop rules in consultation with the Public Utility Commission and the Texas Commission on Environmental Quality

Eligibility: Any farmer, logger, diverter, or renewable biomass aggregator and bio-coal fuel producer who delivers qualified biomass to the qualified electric generating facility. Any operator who processes unsuitable biomass into a form that is suitable for electric generation.

Application/approval process: The PUC and TCEQ assist the Dept. of Agriculture in determining whether the electric generation facility meets the requirements to make reimbursable grants to those who deliver the biomass.

Defense Economic Adjustment Assistance Grant Program

Summary: The Texas Defense Economic Adjustment Assistance Grant Program (DEAAG) was authorized by the 75th Legislature to provide state funds to assist communities that have been adversely impacted by decreased defense expenditures and defense worker employment. It was later amended to include defense communities that have been positively impacted and now also includes job retention. The economic development goal of the program is to increase and/or retain employment opportunities for dislocated defense workers and residents of adversely affected defense communities by purchasing, rehabilitating and reusing vacated defense related property. Funding for negatively affected communities can be used for the purchase of Department of Defense property, new construction or rehabilitation of facilities in support of job creating projects and opportunities, or for training or retraining defense workers whose jobs have been threatened, lost, gained or retained. Funding for positively impacted communities may be used to upgrade facilities that make the area more valuable or suitable for military uses.

Eligibility: DEAAG funding is available to local municipalities, counties, defense base development authorities, junior college districts and Texas State Technical College campuses, and regional planning commissions representing these communities.

Legal Authority: Government Code §2310.403

Administrative Rules: 1 Texas Administrative Code §§4.30-4.40

Administrative Authority: The Texas Military Preparedness Commission, the Governor's Office of Economic Development and Tourism

Application/Approval Process: An application for a grant under the DEAAG program must be filed with the Texas Military Preparedness Commission. Applicants are encouraged to seek other financial partners in the project for which a grant is sought. Applications are reviewed by both the Military Preparedness Commission and the Governor's Office of Economic Development and Tourism. Awards are made on a competitive basis, subject to available funds. The Texas Military Preparedness Commission may provide up to: 50% of the amount of matching money or investment that the local governmental entity is required to provide in order to acquire federal grants; 50% of the local governmental entity's investment for qualifying redevelopment projects; 80% of the amount of matching money or investment required in cases where the local governmental entity demonstrates to the Commission that resources are not available because of a limited local governmental entity budget; or 100% to a public junior college, a campus or extension center for training or retraining. The minimum amount of an award is $50,000 and the maximum is $2 million.

Reporting: For two years following the completion of the project the local government entity must make quarterly reports of the number of qualified jobs created or retained by the project and the average annual salary for each position.

Moving Image Industry Incentive Program

Summary: The Moving Image Industry Incentive Program is intended to promote employment opportunities in the moving image industry and to boost economic activity in Texas cities and the overall state economy. It accomplishes this purpose by making grants to the producers of moving image projects that are based on the amount of eligible expenditures in the state.

The “moving image industry” includes feature films, television programs, visual effects projects associated with feature films and television programs, digital interactive media productions (video games), commercials, and educational or instructional videos. The grant is paid after completion of an approved project based on either the total amount of in-state spending involved or the total wages paid to Texas residents during the project. The amount of the grant can range from between 5 and 20 percent of eligible spending, depending on the type of moving image project involved. An additional grant is possible if 25 percent of the project’s filming days take place in an “underutilized and economically distressed area.” The additional grant is equal to 2.5 percent of total Texas spending. Feature films and television programs designated by the Texas Film Commission as a Texas Heritage Project may receive an additional 2.5 percent of total project spending in Texas.

Legal Authority: Government Code, Chapter 485

Administrative Rules: 13 Texas Administrative Code §§121.1-121.14

Administrative Authority: Texas Film Commission and Office of the Governor

Eligibility: To be eligible for a grant, the project must meet certain minimum qualifications:

Type of Project	Min. Spending in Texas	Pct of Filming Days in Texas	Pct of Cast or Crew Texas Residents
Feature Films	$250,000	60%	70%*
Television/ Reality TV Shows	$250,000	60%	70%*
Commercials	$100,000	60%	70%
Video Games	$100,000	60%	70%
Educational or Instructional Videos	$100,000	60%	70%
Visual Effects Projects			
Feature Film or TV	$250,000	60%	70%
Comm., Ed. or Instr. Video	$100,000	60%	70%

* At least 70% each of both cast and crew must be Texas residents.

An underutilized area of Texas is defined as an area of the state that receives less than 15 percent of total film and television production in the state during a fiscal year. An economically distressed area is one that has a median household income that does not exceed 75 percent of the state median.

Moving image projects that are considered obscene or that portray Texas or Texans in a negative fashion are not eligible for grants.

Application/Approval Process: A Qualifying Application for a grant must be filed with the Texas Film Commission no earlier than 60 days before and no later than 5 PM Central Time on the business day prior to the first day of principal photography. The application must include a budget detailing estimated expenditures in Texas and detailed information about the content of the moving image project, including scripts, storyboards, or detailed outlines or summaries. This qualifying application begins the review and approval process, which ensures that the project meets all of the statutory requirements and that its content is appropriate. If so, the application is considered approved, and a grant agreement is executed between the applicant and the Film Commission.
An applicant's eligibility for a grant may be revoked at any time, including after the project is completed, for reasons such as obscene or inappropriate content, failure to meet minimum requirements, failure to provide requested documentation, providing false information, or for inability to complete the project.

Reporting: Once a project is completed, the applicant must provide the Film Commission with: a detailed budget and supporting documentation showing actual expenditures in Texas; sufficient information to establish the residency status of all cast and crew members; and any further information necessary for the Governor's Office to audit the expenditure reports and the final content of the project. Disbursement of funds will not occur until the applicant has paid all financial obligations owed to the state, and a final compliance audit has been completed and approved.

Texas Enterprise Fund

The Texas Enterprise Fund (TEF) can be used for a variety of projects including infrastructure and community development, job training and direct business incentives. The fund is used primarily to attract new businesses to the state or to assist existing businesses with substantial expansions. It is considered to be the state's "deal closing" fund and can be used in conjunction with other incentives and resources to complete a competitive package for an economic development project. To be eligible for support, a project must demonstrate a significant return on the state's investment and have strong local support.

The TEF was created in 2003, and funded by an appropriation from the 77th Legislature. From 2006 through 2010, the TEF received a portion of Unemployment Compensation taxes when the Unemployment Compensation Trust Fund was above its floor. In 2011, the UI funding of the TEF was eliminated, but the TEF received appropriation authority to use all of its unexpended balances, plus investment earnings during the 2014-15 biennium. Through August, 31, 2014, the Texas Enterprise Fund had awarded approximately 128 grants totaling about $575.7 million. Those projects were associated with an estimated $24.3 billion in capital investment and more than 77,000 direct jobs.

Legal Authority: Government Code §481.078

Application/Approval Process: An applicant submits a completed request to the Economic Development Office of the Governor. The office staff reviews the application and makes a recommendation to the Governor who negotiates the terms of each grant with the applicant, and if the grant is approved, enters into a contract with the recipient. Terms of the contract include the amount of the grant, the minimum number of jobs that will be created, the date those jobs will be created, and the average wages to be paid. The agreement also must contain "claw-back" provisions describing how grant funds will be repaid to the State in the event that an applicant fails to live up to the negotiated terms.

The Governor, Lt. Governor, and Speaker of the Texas House must unanimously agree in favor of a project within 90 days of receiving the request from the Governor in order for an award to be granted. The Lt. Governor and Speaker may request an additional 14 days to consider an application.

There are several primary requirements that a TEF project must meet in order to be considered for an award, including but not limited to the following:

- Competition with another state for the project must exist and the business must not have already announced a location decision.
- Projected new job creation must be significant - past recipients have typically created more than 100 jobs in urban areas or more than 50 in rural areas.
- The new positions must pay above the average wage of the county where the project would be located.
- Capital investment by the company must be significant.
- The project must have community involvement from the city, county and/or school district, primarily in the form of local economic incentive offers.
- The applicant must be financially sound and in good standing in the state where it was organized and owe no delinquent taxes to any jurisdiction in Texas.
- The applicant's business sector must be an advanced industry that could potentially locate in another state or country.

The amount of each award is determined using a “standardized analytical model” administered by the Governor’s Office. The model is used to project whether the state will see a full return on investment from TEF awards through increased sales tax revenues during the life of the agreement as a result of the new project. Variations in award amounts are further influenced by the number of jobs to be created, the expected timeframe for hiring, and the average wages to be paid. The grant agreement may contain a provision withholding a portion of the grant until after specified performance targets are met.

The TEF Application may be downloaded at the following website: http://governor.state.tx.us/files/ecodev/tefapp.doc

Administering Authority: Governor’s Office of Economic Development and Tourism

Enforcement: TEF grant recipients are contractually obligated to fulfill the terms of their job creation agreements. Once a company has accepted a TEF offer, a signed contract is required prior to the distribution of an award. An entity that receives a TEF grant must submit an annual progress report to the Governor, Lt. Governor and Speaker of the House containing information regarding the attainment of each performance target specified in the contract.

The Event Funds

Texas has four separate programs that are designed to encourage certain sporting or non-sporting events to take place in the state. They are usually referred to by the “trust fund” into which grant money is transferred before being sent to the grant recipient. The four are: the Major Events Trust Fund, the Events Trust Fund, the Motor Sports Racing Trust Fund, and the Special Events Trust Fund. These programs reduce the effective cost to the host community and the sponsor of these events by covering a portion of the costs of securing the event, preparing for it, and conducting it using the additional state and local tax revenue that is generated by the people who participate and attend the event.

The four programs each require that an eligible event must have been chosen for a location in Texas in a competitive process that included consideration of at least one location outside Texas, and that the city or county where the event will take place endorses it. After an application is filed and the local sponsor conducts an economic study, an estimate of the additional state and local revenue from specified taxes is made by the Comptroller. This estimate creates a cap on the amount of money that can be paid out in grants for each event.

Money granted under these programs may be used for a very broad range of expenses associated with the site selection process, preparations for the event including facility costs, and conducting the event itself. The fund may not be used to solicit relocation of an existing Texas professional sports franchise.

The first event fund programs began in 2004. Through October 9, 2014, some 538 events have been approved for grants totaling about $725.5 million under the four programs.

In 2013 the Legislature mandated the comptroller to study the economic impact of events qualifying for funding from the Events Funds, and whether the events would likely be held in Texas absent such funding. The report must be submitted to the Legislature by January 1, 2015.

The four programs, while similar in many ways, have a number of significant differences. Figure 1 is a chart prepared by the Comptroller that compares the major features of the four programs. The program descriptions that follow focus on the distinct features of each.

The Event Funds: Events Trust Fund

Summary: The Events Trust Fund applies to any type of event for which an endorsing city, county or local organizing committee has received approval to hold in Texas from a site selection organization that conducted a competitive process that considered at least one site outside Texas. The venue must have been selected over others as a sole event site or, the sole site in Texas and adjoining states. The event may be conducted no more than once annually, though an event may qualify if it will be held once a year for a period of years. Local and state gains from sales and use, auto rental, hotel and alcoholic beverage taxes generated over a 30-day period ending the day after an event may be used to pay costs incurred as a result of hosting the event and any other activities related to or associated with it. Because the period during which the event's impact is estimated is limited to 30 days, the Comptroller includes only the direct effects of the event in determining the amount of grant funds available. The trust fund may be used to pay costs related to: improving, constructing, renovating, or acquiring facilities; acquiring equipment for the event; or paying the principal and interest on notes used to build or improve facilities. One hundred percent of allowable expenses can be funded provided sufficient tax receipts are deposited in the trust fund.

Legal Authority*:* Vernon's Texas Civil Statutes, Article 5190.14 Sec 5C

Administrative Rules*:* 34 Texas Administrative Code §§2.200-2.204

Administrative Authority*:* Comptroller of Public Accounts

Eligibility*:* Any event or a related series of events held in this state for which a local organizing committee, endorsing county or endorsing city is seeking or has received approval from a site selection organization. Eligible events are not restricted to sports. Starting in fiscal 2010, non-sporting events, such as conventions and conferences, became eligible for Events Trust Fund reimbursements. There are no city or county population requirements.

Application/Approval Process: An application must be submitted to the Comptroller not later than four months prior to the event. It must contain: a letter from the municipality or county requesting participation; a letter from the site selection organization selecting the Texas site; and, an economic impact study or other data sufficient for the Comptroller to make the determination of the incremental increase in tax revenue associated with hosting the event in Texas.

***Reporting*:** After the conclusion of an event, the sponsor must provide information related to the event, such as attendance figures, financial information, or other public information held by the requestor that the Comptroller considers necessary to evaluate the event's success.

The Event Funds: Major Events Trust Fund

Summary: The Major Events Trust Fund applies to a specific list of athletic events, and two non-athletic events for which the amount of the incremental increase in tax receipts resulting from the event must equal or exceed $1 million. Under the Major Events program, local and state gains from sales and use, auto rental, hotel and alcoholic beverage taxes that are attributable to an event over a 12-month period beginning two months prior to it may be used to pay costs incurred from hosting the event. Because the period over which the impact is measured extends well after the event, the Comptroller includes the indirect and induced effects of the event in determining the amount of grant funds available. The trust fund can be used to pay costs related to preparing for or conducting the event, including equipment, or to pay principal and interest on notes used to build or improve facilities. One hundred percent of allowable expenses can be funded provided sufficient tax receipts are deposited in the trust fund. An event expected to generate at least $15 million in local and state tax receipts is eligible for prior funding to attract and secure the event. If the event recurs, the previous year's receipts can be used to attract and secure subsequent events.

Legal Authority: Vernon's Texas Civil Statutes, Article 5190.14 Sec 5A

Administrative Rules*:* 34 Texas Administrative Code §§2.100-2.105

Administrative Authority: Comptroller of Public Accounts

Eligibility: Eligible events include: The Super Bowl, NCAA Final Four tournament, National Basketball Association All Star Game, the X Games, National Hockey League All Star Game, Major League Baseball All Star Game, NCAA Bowl Championship Series Game, NCAA Division I Football Bowl Subdivision playoff or championship game, World Cup Soccer Game, World Games, a national collegiate championship of an amateur sport sanctioned by a national governing body recognized by the U.S. Olympic Committee, an Olympic activity, including a Junior or Senior Olympic activity, a training program or feeder program sanctioned by the U.S. Olympic Committee's Community Olympic Development Program, a mixed martial arts championship, Breeders' Cup World Championships, Formula One automobile races, the Country Music Awards, the national convention of either the Republican or Democratic Party, and the largest event held each year at the Circuit of the Americas racing circuit in Austin. An eligible event may not be held more than once per year. If an obligation is incurred under a games support contract or event support contract to make a structural improvement or add a fixture to the site for purposes of the event, and the improvement of fixture is expected to derive most of its value in subsequent uses of the site for future events, a disbursement from the trust fund made for purposes of that obligation may not exceed 5 percent of the cost of the improvement or fixture. This limitation does not apply if the improvement of fixture is for a publicly-owned facility.

Application/Approval Process*:* An application must be submitted to the Comptroller not later than three months before the event but not earlier than one year before the event date. It must contain: a letter of request from the municipality or county endorsing the event, a letter from the organization selecting the site in Texas, and an economic impact study or other data sufficient for the Comptroller to make the determination of the incremental increase in tax revenue associated with hosting the event in Texas. C

Reporting: After the event is concluded, the sponsor is required to provide information sufficient for the Comptroller to evaluate the event's success. This may include attendance figures and other financial data, but data may be withheld if it is considered proprietary in nature. The comptroller may reduce the amount of a disbursement to a sponsor in proportion to a significant discrepancy between estimated and actual attendance and in proportion to the amount of the sponsor's contribution to the fund. A "significant discrepancy" is defined by rule to mean 25 percent or greater.

The Event Funds: Motor Sports Racing Trust Fund

Summary: The Motor Sports Racing Trust Fund applies only to an automobile racing event sponsored by the Automobile Competition Committee for the United States (ACCUS) and held at a temporary venue. Only two such races have been held under this program—Indy Racing League motor races in 2006 and 2007 in Houston. Except for the narrower eligibility standards, the Motor Sports Racing Trust Fund operates under the same statutory procedures as the Events Fund.

Legal Authority*:* Vernon's Texas Civil Statutes, Article 5190.14 Sec 5B

Administrative Authority: Comptroller of Public Accounts

Eligibility: The event must be sanctioned by the Automobile Competition Committee for the United States (ACCUS) and held at a temporary venue.

Application/Approval Process: An application must be submitted to the Comptroller not later than four months prior to the event. It must contain: a letter from the municipality or county requesting participation in the trust fund program; a letter from the site selection organization selecting the Texas site; and, an economic impact study or other data sufficient for the Comptroller to make the determination of the incremental increase in tax revenue associated with hosting the event in Texas.

Reporting: A local organizing committee, city or county must provide any information required to enable the Comptroller to carry out the duties prescribed by statute, including audited annual financial records required by the site selection organization and data related to attendance and the economic impact of the event.

The Event Funds: Special Events Trust Fund

Summary: The Special Events Trust Fund applies to any type of event held in a public place at a site within Texas that was selected in a competitive process that included consideration of at least one site outside Texas. While the Special Events Trust Fund is similar in some ways to the other three funds, there are several very important differences. Foremost, only the additional *state* sales and use taxes generated during a period of up to 30 days from the day before the event is considered in determining the maximum size of the grant. Further, the overall economic impact window is limited to include only the period from the day prior to the event until the day following the last day of the event. Only effects directly attributable to the event are considered. The trust fund can be used to pay up to 50 percent of event-related costs, including: security, public transportation and traffic management services, facility rental, preparing or maintaining a contract, maintenance and janitorial services, or developing or providing an incentive or award associated with the event. Construction costs are not eligible for reimbursement.

The 2008 Latin Grammy Awards in Houston was the first non-sporting event approved for a Special Events Trust Fund reimbursement.

Legal Authority*:* Local Government Code, Chapter 398

Administrative Authority: Governor's Office of Economic Development and Tourism, Comptroller of Public Accounts

Eligibility: An event must be held in a public place and have been selected by an organization in a competitive selection process in which at least one non-Texas site was considered.

Application/Approval Process: The host community conducts an economic impact study and submits it to the Comptroller for certification at least seven months prior to the event. If the Comptroller certifies the study, the host community then submits a special event plan to the Governor's Office of Economic Development and Tourism. The plan must receive the written approval of the Governor, Lt. Governor and the Speaker of the House within 90 days after it has been received from the host community or it is considered disapproved. If the plan is approved, the Comptroller establishes a Special Event Trust Fund from which reimbursements of eligible expenses are made.

Reporting: A political jurisdiction making use of the Special Events Fund must provide the Comptroller with an audited financial statement to verify that all expenditures were authorized by law and any other information required by the Comptroller.

Young Farmer Grant Program

Summary: The purpose of the Young Farmer Grant Program is to provide financial assistance to persons between the ages of 18 and 46 that are engaged in, or will become engaged in, creating or expanding an agricultural business. The program provides grants of between $5,000 and $10,000, to match other funds available to the recipient on a dollar-for-dollar basis.

Legal Authority: Agriculture Code §§58.091-58.095

Administrative Authority: Texas Department of Agriculture, Rural Economic Division

Eligibility: An applicant must be between the ages of 18 and 45, have the funds necessary to match the state grant, and be planning to use the funds to establish or expand an agricultural business in Texas. The funds may be used for operating expenses, purchasing livestock and feed, leasing of land, and paying for capital expenses less than $5,000.

Application/Approval Process: Grant applications are accepted by the Texas Department of Agriculture during two periods each year. The application calls for: information on the agricultural and educational background and experience of the applicant; a description of the proposed project, including a budget; and the source of any matching funds. Grants are awarded based on the availability of funds, a posted scoring system, the proposed use of the funds and other submitted information. Included in the approval process are: an assessment of the quality of the application; the applicant's financial need; and the project's ability to create, enhance or sustain the applicant's agricultural operations, improve overall Texas agricultural productivity, and increase the number of agricultural enterprises that are owned and operated by young farmers.

Reporting: A recipient is required to make an annual report showing the measurable results of the project and comparing those results to the project as originally proposed.

SECTION 3: FINANCING TOOLS

These are programs whereby the government provides access to, or reduces the cost of, capital to a business. These programs include direct or subsidized loans, loan guarantees, and even equity participation in the targeted businesses. An integral part of these programs is an application and approval process in which the government has considerable discretion. Most financing incentives are subject to appropriation constraints. Financing programs include:

- Economic Development Bank
    - Capital Access Program
    - Industrial Revenue Bond Program
    - Linked Deposit Program
    - Product Development and Small Business Funds
- Jobs for Texas Program
    - Texas Loan Guarantee Program
    - Texas Small Business Venture Capital Program
- Rural Economic Development and Investment Program
- Texas Agricultural Finance Authority
    - Agricultural Loan Guarantee Program
    - Interest Rate Reduction Program
    - Young Farmer Interest Rate Reduction Program
- Texas Certified Capital Company Program
- Texas Emerging Technology Fund
- Texas Rural Investment Fund Program

Economic Development Bank

Summary*:* The Economic Development Bank is a facility within the Governor's Office of Economic Development and Tourism. Its purpose is to provide globally competitive, cost-effective state incentives to expand businesses operating in Texas or those relocating here. The Bank operates several programs designed to ensure that communities and businesses have access to capital to promote future economic development. Among the programs operated by the Economic Development Bank are the Capital Access Program, the Linked Deposit Program, the Product Development and Small Business Funds, and the Industrial Revenue Bond Program. Each of these is described below.

Legal Authority*:* Government Code, Chapter 489

Administrative Authority: Governor's Office of Economic Development and Tourism

Reporting: The Texas Economic Development and Tourism Office issues an annual status report on all banking activities on or before January 1 of each year. The Bank's effectiveness is measured by the number of jobs created and retained and the total amount of non-state funds leveraged as a result of the bank's efforts.

Economic Development Bank: Capital Access Program

The Capital Access Program within the Texas Economic Development Bank assists businesses and non-profit organizations in attaining access to capital by contributing to a "loan-loss reserve" established by participating financial institutions willing to make certain loans, or provide open lines of credit, to eligible businesses or non-profits. In the event of a default, the participating financial institution may charge off the loan and withdraw funds necessary to cover the loss from the reserve. The state's participation in funding the reserve effectively reduces the risk assumed by the financial institution, and therefore the cost of making the loans.

Eligible applicants include small (less than 100 employees) and medium-sized businesses (between 100 and 500 employees), or non-profit organizations. Eligible applicants must have at least 51 percent of their employees or members in Texas. Applicants can use the proceeds for projects, activities, or enterprises that will further economic development in Texas. Funds must be applied to working capital or the purchase, construction, or lease of capital assets, including buildings and equipment. Construction or purchase of residential housing and simple real estate transactions are not eligible.

Both the applicant and the participating financial institution contribute to the reserve account for each loan. The amount the state contributes to a reserve account depends on the size of the financial institution, the length of time it has participated in the program, and whether the applicant is located or will use the funds for a project, activity, or enterprise in an enterprise zone or for a day-care center or group day-care home. The maximum amount of the state contribution is the lesser of $35,000 or 8 percent of the loan for an enterprise zone project or day-care facility, or 6 percent of the loan for any other eligible applicant. A single loan recipient may not receive more than $150,000 during a three-year period.

Application for a Capital Access Loan is made at any participating financial institution. Terms of the loans are established by the borrower and the financial institution.

Legal Authority: Government Code §§481.401-481.414

Administrative Rules: 10 Texas Administrative Code §§187.1-187.17

Reporting: A participating financial institution must submit an annual report to the Governor's Office.

Economic Development Bank: Industrial Revenue Bond Program

The Industrial Revenue Bond Program is a method of providing financing for eligible industrial or manufacturing projects in accord with the Development Corporation Act. Under that act, political subdivisions of the state are authorized to establish Industrial Development Corporations (IDC's) to issue revenue bonds on their behalf that provide resources for the promotion and development of new and expanded business enterprises to encourage employment and enhance the public welfare. Projects that may be financed with industrial revenue bonds include land, buildings, equipment, facilities, targeted infrastructure, and improvements for the creation or retention of primary jobs, or for the development, retention, or expansion of a diverse list of business purposes. Bonds issued by the IDC's are repaid by the user of the property developed. Because the bonds were issued by the IDC, they may be tax-exempt and bear a lower interest cost than private borrowing. Generally, the bonds are backed by the revenue paid by the business using the property and are not a debt of the IDC, the governmental unit that created it, or the State of Texas.

The Economic Development Bank reviews Industrial Revenue Bond proposals for compliance with all applicable statutes and makes a recommendation to the Attorney General as to whether they should be approved. If approved by both the Bank and the Attorney General, the issuer may be required to make application to the Texas Bond Review Board for an allocation under the state's volume cap on private activity bonds.

Legal Authority: Local Government Code §§501-507

Economic Development Bank: Linked Deposit Program

The Linked Deposit Program encourages lending to small and medium sized businesses that will begin operating in an enterprise zone, historically underutilized businesses, and child care providers. The cost of capital to the lender and the borrower is reduced by placing a "linked" state deposit in the participating financial institutions. The borrower must use the funds for working capital or to purchase, construct or lease capital assets, including land, buildings, and equipment.

A state depository that participates in the Linked Deposit Program is required to charge interest to the borrower at a rate no higher than the U.S. Treasury bill rate plus 4 percent. The state funds "linked" to the loan earn interest at a lower rate than is charged to the borrower in order to encourage financial institutions to participate in the program.

Applications for loans under the Linked Deposit Program are made with the participating state depository institution.

Legal Authority: Government Code §§481.191-481.199

Administrative Rules: 10 Texas Administrative Code §§182.51-182.60

Economic Development Bank: Product Development and Small Business Funds

The Product Development and Small Business Funds are revolving loan programs established and funded by a $45 million general obligation bond issue in 2005. The Product Development Fund received $25 million and the Small Business Fund received $20 million from the bond issue. The two programs are self-sustaining and loan repayments go back into the funds to support further loan activity.

The Product Development program's purpose is to provide financing to aid in the development and production, including commercialization, of new and improved products in Texas. "Products" include inventions, devices, techniques, or processes that have advanced to the stage that they are readily capable of having commercial applications. The Small Business program is used to foster and stimulate small businesses in Texas. In determining products and businesses eligible for financing under the two programs, preference is given to those in the areas of semiconductors, nanotechnology, biotechnology, and biomedicine that have the greatest likelihood of commercial success, job creation, and job retention. Further preference is provided for small businesses, companies formed to commercialize research funded at least in part with state funds, businesses that have acquired some other sources of financing, and those that are residents of the state and performing the financed activities predominantly in Texas. A recipient of a loan under the Small Business program is not required to be a small business, but typically is. If it is not, it must be "substantially likely" to create opportunities for small businesses in the semiconductor, nanotechnology, biotechnology, or biomedicine industries.

Applications are filed with the Economic Development Bank, Office of the Governor. Prior to making a formal application for a loan under one of the two programs, a business may ask for a pre-application review to determine its eligibility. Bank staff reviews each application and recommend loans and terms to the Product Development and Small Business Incubator Board appointed by the Governor. The Board serves as a sort of "Loan Committee" for the two programs. Interest on loans is tied to the London Interbank Offered Rate (LIBOR). All loans are backed by the assets of the borrower.

Legal Authority: Government Code §§489.201-489.217

Administrative Rules: 10 Texas Administrative Code §§177.1-177.8

Jobs for Texas Program

Summary: The Jobs for Texas Program (J4T) is designed to increase credit availability for small businesses that demonstrate the capacity of attract private investment and create economic development opportunities in the future. Eligible applicants may include high growth businesses in the early stages or development, or businesses commercializing a technology, product, process, or service. The program has been funded through a $46.6 million grant from the U.S. Treasury Department under the State Small Business Credit Initiative (SSBCI). The SSBCI consists of two separate programs: the Texas Loan Guarantee Program and the Texas Small Business Venture Capital Program.

Legal Authority: Agriculture Code, Chapter 12

Administrative Authority: Texas Department of Agriculture

Eligibility: To be considered for a venture capital investment, a business must be based in Texas and have 500 or fewer employees.

Application/Approval Process: Contact the TDA at jobs4texas@texasagriculture.gov

Jobs for Texas Program: Texas Loan Guarantee Program

The Texas Loan Guarantee Program (TLGP) provides loan guarantees to lenders for business loans made to eligible borrowers. Under the program, a participating financial institution that has made a loan, using the lender's own underwriting criteria, may apply to the TLGP for a loan guarantee of up to 50 percent of the principal amount of the loan. If the loan meets state requirements, it is enrolled in the TLGP and a portion (25 percent) of the guaranteed amount is placed in a reserve that will be used to pay any losses in the event of a default. As guaranteed loans are paid off, funds in the reserve are freed up for use in guaranteeing other loans. No funds are paid out except to cover losses on guaranteed loans.

For a loan to eligible, the borrower must have 500 employees or less and the loan may not exceed $5 million. In addition, the lending financial institution must have a meaningful amount of its own capital at risk in the loan. Proceeds from loans guaranteed by the TLGP must be used for a business purpose, including start-up costs, working capital, business procurement, franchise fees, equipment, inventory, or the purchase, construction, renovation or tenant improvements of an eligible business. The funds may not be used for acquiring or holding passive investments or for speculative activities.

Jobs for Texas Program: Texas Small Business Venture Capital Program

The Texas Small Business Venture Capital Program (the Venture Capital Program) leverages the state funds provided by the SSBCI grant to provide financing to small businesses by working with private venture firms. Federal guidelines require that the private financing must be sufficient to leverage the funding provided by the state by at least 10-to-1. Private financing can take the form of equity in the business, debt financing provided by a private source to the business, or any subsequent infusions of cash, debt or equity caused by the state investment.

Under the program, the state has selected two venture capital firms, Advantage Capital Partners and Enhanced Capital Partners, each under a five-year contract. Advantage Capital makes equity investments in qualifying businesses, while Enhanced Capital makes loans. At the end of the five-year contract, concluded in 2012, the state expects to have earned back its original investment, which may then be used to fund further equity investments and loans through the program. The investments target businesses with 500 or fewer employees, with average principal amount of the venture investment of $5 million or less.

Federal guidelines for the SSBCI program require states to demonstrate that a state venture capital program meets “reasonable standards of public benefit.” Anticipated benefits include the number of projected permanent, full-time workers hired, and the increase in state and local taxes resulting from the small businesses assisted by the program, including taxes paid by both temporary and permanent workers hired as a result of the SSBCI support.

Rural Economic Development and Investment Program

The Rural Economic Development and Investment Program is a financial assistance program to encourage private development in rural areas. Program assistance may only be provided to a county with a population less than 75,000, a city with a population less than 50,000, or an Economic Development Corporation or Community Development Financial Institution that serves a jurisdiction meeting the population criteria. Financial assistance may be used only for: a project relating to the acquisition or development of land; easements or rights-of-way; attracting new private manufacturing; freight storage; distribution warehouse centers; other non-retail enterprises; or the construction, extension, or other improvement of water, waste disposal, or transportation infrastructure. The Commissioner of Agriculture may consider other activities related to private economic development to be eligible upon determining that it will encourage economic and infrastructure development in a rural area. Financial assistance may be in the form of direct loans, credit enhancement, interest rate reduction, financing of purchases or lease agreements, or methods of leveraging money from non-state sources.

The program was created in 2009, but has never been funded. If it is funded, the TDA will issue Requests for Proposals at such times and on such terms as may be determined by the Department.

Legal Authority: Agriculture Code §12.0271

Administrative Rules: 4 Texas Administrative Code §§29.70-29.77

Administrative Authority: Texas Department of Agriculture

Texas Agricultural Finance Authority

The Texas Agricultural Finance Authority is a facility operating within the Texas Department of Agriculture (TDA) to provide financial assistance to businesses and individuals for the expansion, development, and diversification of production, processing, marketing, and export of Texas agricultural products. The Authority is overseen by a Board of Directors appointed by the Commissioner of Agriculture and staffed by TDA employees. It operates three programs designed to increase the access to financial capital for those businesses and individuals engaged in agriculture – the Agricultural Loan Guarantee Program, the Interest Rate Reduction Program, and the Young Farmer Interest Rate Reduction Program. Each is described below.

Legal Authority: Agriculture Code, Chapter 58
Administrative Authority: Texas Department of Agriculture and Board of Directors appointed by the Commissioner of Agriculture

Texas Agricultural Finance Authority: Agricultural Loan Guarantee Program

The Agricultural Loan Guarantee Program provides financial assistance in the form of loan guarantees to eligible applicants who will establish or enhance a farm or ranch operation, or an agricultural-related business. A loan guarantee recipient may use the proceeds of the loan for working capital, including the lease of facilities, or the purchase of machinery, equipment, or real estate, if identified in the business plan submitted to the lender. The program provides guarantees on a sliding scale up to the lesser of 70 percent of the loan or $750,000; 80 percent of the loan or $500,000, whichever is less; or 90 percent of the loan or $250,000, whichever is less. Some borrowers may be eligible for an interest rebate, which cannot exceed $10,000 per year. Basic terms of the loan are determined by the borrower and the lender, but the duration of the loan may not extend beyond the lesser of the useful life of the assets being financed or 10 years. Loans must be secured by sufficient collateral to provide a reasonable assurance of repayment. A non-refundable fee of $100 is due when filing the application. TDA staff review applications and make recommendations to the Board, which approves or rejects each application or delegates that task to the Commissioner or a deputy commissioner.

Legal Authority: Agriculture Code §§58.051-58.056

Administrative Rules: 4 Texas Administrative Code §§28.20-28.37

Texas Agricultural Finance Authority: Interest Rate Reduction Program

The Interest Rate Reduction Program (IRR) is designed to facilitate lower-than-market interest rate loans to borrowers who will use the funds in enterprises based on agriculture. The IIR program is not a guaranteed loan program. It is a "linked deposit" program in which eligible lenders (state depositories) agree to make loans to targeted individuals or businesses in return for deposits of state funds. The program is designed to provide an interest subsidy for these loans by accepting state funds at a rate of interest that is lower than the rate charged to the borrower. The maximum rate allowed on a covered loan is equal to the linked deposit rate plus 4 percent. Eligible borrowers include anyone who proposes to use the funds in a manner that will foster the creation and expansion of an agricultural business in Texas. Funds may be used for any agriculture-related operating expense, including the purchase or lease of land, acquisition or improvement of fixed assets, or in any enterprise based on agriculture. The maximum loan that may be covered is $500,000 and there can be no more than $30 million in linked deposits at any one time.

Legal Authority: Agriculture Code §44.007

Administrative Rules: 4 Texas Administrative Code §§28.10-28.19

Texas Agricultural Finance Authority: Young Farmer Interest Rate Reduction

The Young Farmer Interest Rate Reduction Program is similar to the IRR program described above, but eligible borrowers are limited to those between the ages of 18 and 45. In addition, it provides for an effective interest rate that is one percent lower than the regular IRR program rate.

Legal Authority: Agriculture Code §§58.071-58.075

Administrative Rules: 4 Texas Administrative Code §§28.40-28.48

Texas Certified Capital Company Program

Summary*:* The Texas Certified Capital Company Program is a private, government-sponsored venture capital program designed to stimulate job creation and increase the availability of capital to small businesses in Texas. A Certified Capital Company (CAPCO) is a private entity created using equity capital provided partly by its principals and partly through indirect state funding in the form of "certified capital" invested in return for state tax credits by insurance companies that are subject to gross premiums taxes. Insurance companies that invest in CAPCO's are allowed to take a dollar-for-dollar credit against taxes on policy premiums. No insurance company may claim more than 15 percent of the total allocation of tax credits, and no more than $50 million in total credits may be taken in any single year. The state has no equity in the CAPCO's or in any of their investments.

Two separate "programs" have provided a total of $400 million in state indirect funding for 21 venture capital funds operated by 11 different firms. These firms are expected to make investments in, and provide financing to, small and early-stage businesses that will create or retain jobs and grow the Texas economy. Thirty percent of the CAPCO's certified capital must be invested within three years, and 50 percent within five years. No more than 15 percent may be invested in any single company.

Since all of the currently authorized tax credits have been allocated, no further CAPCO's may be created at this time, but the existing CAPCO's can, and are, still making investments in "qualified businesses." According to the Comptroller's latest biennial report on the program, CAPCO's had made a total of $282.5 million in investments through January 1, 2012.

Legal Authority*:* Insurance Code, Chapter 228

Administrative Rule*:* 34 Texas Administrative Code §3.833

Administrative Authority*:* Comptroller of Public Accounts, Texas Treasury Safekeeping Trust Fund Company

Eligibility: To qualify as a CAPCO, a company must be organized and authorized to do business in Texas and have: equity capital of at least $500,000; at least two principals or employees with at least four years' experience in the venture capital industry engaged in the management of the funds; and an unqualified independent audit dated not more than 35 days prior to application.

Businesses "qualified" to receive CAPCO funding must be headquartered, or have a principal office in

Texas, have no more than 100 employees with 80 percent of those residing in Texas or 80 percent of its payroll in Texas, be primarily engaged in manufacturing, processing or assembling products, conducting research and development, or in providing non-professional services. They may not be engaged in retail sales, real estate development, insurance, banking, or lending, or providing professional services.

***Application/Approval Process**:* A firm seeking to become a CAPCO files an application with the Comptroller containing sufficient information to establish its eligibility, operational philosophy and business plan. If approved by the Comptroller, a CAPCO may solicit qualified capital from insurance companies and receive an allocation of tax credits which may be used by insurance company investors in return for their investments.

A qualified business that wishes to receive funding from a CAPCO makes application directly to the CAPCO on such terms and conditions as it prescribes.

Reporting: CAPCO's are required to report annually to the Comptroller, who is required to make a biennial report to the Legislature.

Texas Emerging Technology Fund

***Summary**:* The Texas Emerging Technology Fund (ETF) was established in 2005 to expedite innovation and commercialization of research, expand private sector businesses that will promote a substantial increase in high-quality jobs, and increase higher education applied technology research capabilities. There are three major programs that receive funds from the ETF. They are usually referred to by the Subchapter of the statute that created the ETF: 1) Subchapter D Incentives for Commercialization Activities. These are funds to help private or non-profit entities take ideas from concept to the marketplace. Under Subchapter D, state funds from the ETF result in equity in the business for the state, or in a note convertible into equity. 2) Subchapter E Research Award Matching. The funds go to public-private partnerships which leverage other federal major research sponsor's grant programs to accelerate the commercialization of research done at public and private institutions of higher education in Texas. 3) Subchapter F Grants for Acquisition of Research Superiority. These funds go to Texas higher education institutions to recruit the best research talent in the world in the targeted industries. Only Subchapter D is treated as an economic development incentive under the definition used in this report, because it is the only part of the ETF program that has the direct effect of providing financing to businesses to encourage them to conduct and expand their activities in Texas.

The Emerging Technology Fund was created in 2005, and funded with an initial appropriation of $200 million, with 50 percent of that earmarked for Subchapter D awards. Subsequent legislatures authorized additional funding, both through direct appropriations and by temporarily authorizing use of certain Unemployment Compensation system funds, which authority was eliminated by the 82nd Legislature.

As of the January 2013 Annual Report to the Legislature, the ETF had made a total of 190 awards totaling $424.7 million. Seven businesses financed by the ETF had been sold or merged with other businesses and seventeen had ceased operations. Legislative appropriations to the ETF had totaled $485.4 million; $39.9 million in returns had been realized from interest earned, refunds, award reductions, exits and liquidations; and the fair value of equity and loans to companies amounted to $221.2 million.

Legal Authority: Government Code, Chapter 490

Administrative Authority: Emerging Technology Fund Advisory Committee and Governor's Office of Economic Development and Tourism

Eligibility: To be eligible for funding, a company must be part of a designated list of emerging technology industries which includes: semiconductors, computer and software technology, energy, manufactured energy systems, micro-electromechanical systems, nanotechnology, biotechnology, medicine, life sciences, petroleum refining and chemical processes, aerospace, defense, and any other industry, as determined by the Governor. The company also must be able to create new high-quality jobs, either immediately or over a longer period of time, or have the potential for a medical, scientific, or clean energy breakthrough.

Application/Approval Process: The application and approval process has three primary stages. First, a company must apply to one of the "Centers for Innovation and Commercialization" established to perform an initial evaluation of potential projects. Seven regions of the state have been established for this purpose (RCICs), along with one statewide Texas Life Science Center. The RCICs act as the regional agents for the ETF Advisory Committee to identify, evaluate, and submit promising proposals from their respective regions.

Priority for program approval is given to proposals that 1) "have a reasonable probability of enhancing [the] state's national and global reputation," 2) may result in a "medical or scientific breakthrough," 3) are "collaborative" in nature, 4) are matched by other funds, and 5) "have a demonstrable economic development benefit to this state." An entity receiving funds must guarantee in the contract with the state that "a substantial percentage of any new or expanded commercialization or manufacturing resulting from the award will be established in this state."

The ETF Advisory Committee makes a final review of the proposals and forwards recommended projects to the Governor, Lt. Governor and Speaker of the House. The Governor negotiates the proposed financial and other terms for the deal. Any equity considerations provided to the state are also a part of the contract negotiated by the Governor. A grant agreement must also contain provisions requiring the creation of a minimum number of jobs and must specify when those jobs will be created. Unanimous approval by the Governor, Lt. Governor and Speaker of the House is required before a final award of financing may be granted. Under legislation passed by the 82nd Legislature, any proposal not approved by the Lt. Governor and Speaker within 90 days of having been submitted by the Governor is considered rejected. Before receiving any grant money, the company and all parties have to contractually agree to perform the specific actions expected to provide benefit to the state.

Reporting: The statutes provide no specific reporting requirements for the recipients of ETF financing, however the Governor is required to make a detailed annual report on the Fund's activities. If the recipient of an award fails to fulfill their obligations under the grant agreement, the grant must be repaid. The repayment may be prorated to reflect a partial attainment of any of the performance goals, but must be prorated if the job creation goals are not attained.

Texas Rural Investment Fund Program

The Texas Rural Investment Fund program's purpose is to make grants or loans to public or private entities for projects in rural communities that will stimulate local entrepreneurship, job creation, new capital investment, housing development, or innovative workforce education. Grants from the fund may be made only in cities with populations less than 50,000 or counties with less than 200,000. Grants from the fund are awarded based on the project's effect on job creation and wages, the financial strength and business history of the applicant, an analysis of the relevant business sector, whether there is public or private sector financial support, and whether there is substantial community support.

The program was created in 2009, but has never been funded. If it is funded, the TDA will issue Requests for Proposals at such times and on such terms as may be determined by the Department.

Legal Authority: Agriculture Code §12.046

Administrative Rules: 4 Texas Administrative Code §§29.60-29.66

Administrative Authority: Texas Department of Agriculture

SECTION 4: PROVISION OF SERVICES

These are programs where the government conducts activities directly on behalf of a business. They require direct governmental expenditures—building a new road, expanding water facilities, training specialized workers, etc.—that will facilitate the operation of the business. They generally require prior application and approval and are usually subject to appropriations, and include:

Skills Development Fund
Skills for Small Business Program
Texas Capital Fund
- Infrastructure Development
- Real Estate Development

Skills Development Fund

Summary*:* The Skills Development Fund (SDF) provides funding for customized job-training programs for an individual business, union, or business consortium with the intent of either creating or retaining jobs. A business, consortium of businesses, or trade union identifies a training need, and then partners with a public community or technical college, the Texas Engineering Extension Service (TEEX), or a community-based organization (CBO) that is working with one of the public institutions to fill its specific needs. Grants are made by the Texas Workforce Commission (TWC) to one of the public partners who will provide the customized training. Projects are developed with the objective that they will help create and attract high-value, high-skill jobs for the state that will facilitate the growth of industry and emerging occupations. The Texas Workforce Commission attempts to allocate SDF grants 60 percent to job retention projects and 40 percent to training for job creation. The Skills Development Fund is financed from a portion of Unemployment Compensation taxes when the UI Trust Fund is above its statutory floor.

Legal Authority: Labor Code, Chapter 303

Administrative Rules: 40 Texas Administrative Code §§803.1-803.32

Administrative Authority: Texas Workforce Commission

Eligibility: Public community colleges, technical colleges, the Texas Engineering Extension Service, and community-based organizations that partner with a business, business consortium, or union to conduct customized training are eligible for SDF grants. Only for-profit businesses and non-profit hospitals may partner in Skills Development projects. Projects can provide training to retain jobs in Texas or to create new jobs, but may not include training and related costs for an employer that relocates their worksite from one location in Texas to another. The business must be actively involved in the planning and design of the customized training project and pay wages to the employees who successfully complete the training program that are equal to or greater than the prevailing wage for the occupation in the local labor market.

Application/Approval Process: An application to the TWC is made jointly by the private partner and the public training provider requesting funding for a customized training program or other appropriate use of the fund. Prior to the application's filing, the project must be submitted to the local workforce board, or boards, in areas where there will be a significant impact on job creation or incumbent worker training. The application must indicate whether the proposal is also being submitted for a Texas Enterprise Fund grant. The proposal must contain the number of jobs being created or retained, a brief outline of the training project, the skills to be acquired through training, the occupation and wages to be paid participants who complete the training, and the employer's involvement in designing and planning the program. It also must include a signed agreement between the public and private parties outlining the roles and responsibilities of each party.

Each application is reviewed and evaluated by considering: the purposes and objectives of the Skills Development program; the prevailing wage for occupations in the labor market area; the financial stability of the private partner; the regional economic impact; and any other factors unique to the circumstances that TWC determines are appropriate.

Reporting: The TWC is required to submit an annual report on the program.

Skills for Small Business Program

The Skills for Small Business Program provides funding for small businesses to obtain training for new and existing employees. Funded from a $2 million portion of the Skills Development Fund, it allows businesses to apply for training subsidies of up to $1,450 for each new employee hired less than 3 months before the application, or up to $725 per employee for other workers. The subsidy may be used to pay for tuition and fees associated with the training. Unlike the regular Skills Development Fund program, however, the training is not customized to the individual employer, but must be selected from active course catalogues or schedules, or other available courses at a public community or technical college, or the Texas Engineering Extension Service. Regular credit, continuing education, on-line or other available unpublished courses are eligible for funding. While the training subsidy is greater for newly employed workers, the stated objective of the program is to help small businesses get the training necessary to upgrade the skills of their workers in ways that will benefit and enhance the business's operations.

Legal Authority: Labor Code §303.003(b-1)

Administrative Authority: Texas Workforce Commission

Eligibility: The business must be a private employer that has between 1 and 99 employees and is financially stable. It must also be in compliance with the Business and Commerce Code and the Unemployment Insurance system. Courses must be available from a public community or technical college or the Texas Engineering Extension Service. Course offerings from universities, proprietary or vocational schools, or third-party vendors are not eligible. For a business to be eligible, it must pay the prevailing wage in the labor market area to the trainees covered. An individual provided training under the program is eligible only once in any 12-month period, but a business may apply more than once if the application covers different individuals. A business may participate in both the Skills for Small Business Program and the Skills Development Fund Program at the same time, but the specific training provided must be different.

Application/Approval Process: The employer must make application to the Texas Workforce Commission (TWC) and identify the specific employees to be trained, the wages they will be paid, and the courses each one will take. The applicant must also identify the public community or technical college that will provide the training. If the application is approved, TWC will notify the community or technical college that will provide the training, and make payments directly to the college, not the employer. The college is responsible for tracking the training and reporting to TWC.

Texas Capital Fund

The Texas Capital Fund is a program to encourage business development, retention, and expansion in non-metropolitan areas of the state. Its operation is being assumed by the Texas Department of Agriculture (TDA) from the Department of Rural Affairs under legislation passed by the 82nd Legislature. Funds are provided as a part of the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) program. Fund programs are available only to city or county governments that do not receive CDBG funding directly (non-entitlement communities), typically cities of less than 50,000 population and counties of less than 200,000. Funds are awarded for projects that assist in the creation of new permanent jobs, or the retention of existing permanent jobs, primarily for persons of low or moderate income. Two of the Fund's programs provide direct services to businesses—the Infrastructure Development Program and the Real Estate Development Program. Each is described below.

Legal Authority: Government Code §487.351, 4 Texas Administrative Code §30.6

Administrative Authority: Texas Department of Agriculture

Texas Capital Fund: Infrastructure Development

The Infrastructure Development program provides funds for non-entitlement communities to provide public infrastructure to support specific businesses that commit to create or retain permanent jobs in their jurisdictions. No more than three businesses may benefit from any one project. At least 51 percent of the jobs created or retained must be held by, or created for, low or moderate income individuals, and the "cost-per-job" must fall below established limits. Funds may be used for: water and sewer lines; road and street improvements; natural gas, electric, telephone or fiber optic lines; harbor or channel dredging; the purchase of real estate related to the infrastructure; drainage facilities; traffic signals and signs; or railroad spurs. The cost of infrastructure located on the private property of a business must be repaid according to terms established by the program.

Assistance cannot be provided for projects involving a relocation from another state if there will be a significant loss of employment in the labor market area from which the relocation occurs, or from another location in Texas unless there is a net gain in jobs of 10 percent or more. Even if a net gain occurs, the other location in Texas may object and prevent a project from being eligible.
Businesses and individuals may not apply directly for funding from the program, but must be identified in the project application by an eligible city or county. Applications are filed by an eligible political jurisdiction with TDA where staff reviews and scores projects, and makes a recommendation to the Commissioner. Awards may range from a minimum of $50,000 to a maximum of $1.5 million. Projects receiving more than $750,000 require significantly higher job creation or retention and capital matching. The award may not exceed 50 percent of the total project cost, and the business that will benefit must provide at least 10 percent of the total, a minimum of 2.5 percent of which must be in cash.

Administrative Rule: 4 Texas Administrative Code §30.6

Texas Capital Fund: Real Estate Development

The Real Estate Development program provides funds for non-entitlement cities and counties to be used to purchase, construct, or rehabilitate real estate that is wholly or partially owned by the community and leased to a specific business that commits to create or retain permanent jobs, at least 51 percent of which must be created for or held by low and moderate income individuals. The business may be either a for-profit or non-profit entity. Real estate improvements require full repayment to the local jurisdiction through a lease that lasts a minimum of three years. The lease may include a purchase option but it cannot be exercisable for at least five years. Furthermore, the purchase price must be at least equal to any amount of the original Real Estate Development grant that has not been recaptured.

Assistance cannot be provided for projects involving a relocation from another state if there will be a significant loss of employment in the labor market area from which the relocation occurs, or from another location in Texas unless there is a net gain in jobs of 10 percent or more. Even if a net gain occurs, the other location in Texas may object and prevent a project from being eligible.

Businesses and individuals may not apply directly for funding from the program, but must be identified in the project application by an eligible city or county. Applications are filed by an eligible political jurisdiction with TDA where staff reviews and scores projects, and makes a recommendation to the Commissioner of Agriculture. Awards may range from a minimum of $50,000 to a maximum of $1 million. Projects receiving more than $750,000 require significantly higher job creation or retention and capital matching. The award may not exceed 50 percent of the total project cost. The business must provide at least 10 percent of the equity or 33 percent if it has been operating for less than three years. The property may not be sold or transferred for a minimum of five years.

Administrative Rule: 4 Texas Administrative Code §30.6

Part 4: Sizing up the Competition: What Other States Offer

Overview

Economic development is a competitive sport, with all 50 states fielding teams as can be seen in Figure 4.1 and is evidenced by the compendium of economic incentive programs listed in Part 5 of this report. Every state competes by offering tax-related incentives that apply to each of the major components of their tax structure: property, sales and business taxes. Additionally, every state has programs that provide direct and indirect financial assistance by way of grants and other financing mechanisms such as low-interest loans, loan guarantees, and bond financing. The provision of services is another form of indirect financial incentives offered by more than half of the states.

Tax-Related Incentives in the States

Every state has at least one incentive program that impacts each major component of their tax structure and most have multiple programs. Those programs may include abatements, exemptions, deductions, exclusions, credits, refunds, reduced tax rates or any combination thereof. The length of time the incentives may apply also varies from 1 to 30 years or in the instance of some programs the benefit might be permanent. Many of the programs target either a specific geographic area (i.e. districts or zones) or a specific industry (i.e. manufacturing or data centers). Almost all of the programs are structured to incentivize investment or the retention or creation of jobs.

Section A: Property Tax

Property taxes are imposed in all fifty states at the local level and in many instances at the state level. At the local level, property taxes are, in most instances, the main revenue source for cities, counties, schools and other local entities. In those states that impose a state property tax, the revenue is usually used to fund education.

Property Tax Abatements. Laws in 44 states provide general authorization for state and local governments to offer property tax abatements[11] for economic development-related purposes. It is important to note that while there is general authorization for local governments in these states to offer abatements, in many instances this same authorization prohibits or restricts abatements for property taxes providing funds for education. Of the remaining six states, **Washington** appears to restrict abatements to historic structures or multi-family housing. Local governments in **Colorado** and **North Carolina**, while not authorized to offer abatements, do have credit or refund programs that effectively have the same impact as abatements. The length of time the property tax abatements run not only varies from state-to-state but from program-to-program within a given state. In general, the minimum length of time an abatement will run is 5 years provided all conditions and requirements are met and maintained; however, many of these agreements include a 5-year renewal. While 5 years is the common *minimum*, many states allow cities and counties to offer abatements for up to 10 years.

Louisiana offers a 10 year abatement that is noted for its incredible simplicity. The *Industrial Tax Exemption Program* (ITEP), administered by the Louisiana Department of Economic Development, provides an automatic property tax abatement for up to 10 years for new investment by a manufac-

[11] For purposes of this study, the nomenclature "property tax abatement" includes temporary property tax exemptions as many of these programs were referred to in many of the states.

Figure 4.1
50-State Summary of Economic Incentives

STATE	TAX INCENTIVES				DIRECT AND INDIRECT FINANCIAL ASSISTANCE		
	PROPERTY TAX	SALES TAX	INCOME/ FRANCHISE TAX	OTHER BUSINESS TAXES	GRANTS	FINANCE TOOLS	PROVISION OF SERVICES
Alabama	*	*	*	*	*	*	*
Alaska	*	See note	*	*	*	*	n/a
Arizona	*	*	*	*	*	*	*
Arkansas	*	*	*	*	*	*	*
California	*	*	*	n/a	*	*	n/a
Colorado	*	*	*	n/a	*	*	*
Connecticut	*	*	*	*	*	*	n/a
Delaware	*	n/a	*	*	*	*	n/a
Florida	*	*	*	*	*	*	*
Georgia	*	*	*	*	*	*	*
Hawaii	*	*	*	n/a	*	*	n/a
Idaho	*	*	*	*	*	*	n/a
Illinois	*	*	*	*	*	*	*
Indiana	*	*	*	*	*	*	n/a
Iowa	*	*	*	*	*	*	*
Kansas	*	*	*	*	*	*	*
Kentucky	*	*	*	*	*	*	n/a
Louisiana	*	*	*	*	*	*	*
Maine	*	*	*	*	*	*	n/a
Maryland	*	*	*	*	*	*	*
Massachusetts	*	*	*	*	*	*	*
Michigan	*	*	*	*	*	*	*
Minnesota	*	*	*	*	*	*	*
Mississippi	*	*	*	*	*	*	n/a
Missouri	*	*	*	*	*	*	*
Montana	*	n/a	*	*	*	*	n/a
Nebraska	*	*	*	*	*	*	n/a
Nevada	*	*	n/a	*	*	*	n/a
New Hampshire	*	n/a	*	*	*	*	*
New Jersey	*	*	*	*	*	*	*
New Mexico	*	*	*	*	*	*	n/a
New York	*	*	*	*	*	*	*
North Carolina	*	*	*	*	*	*	*
North Dakota	*	*	*	*	*	*	n/a
Ohio	*	*	n/a	*	*	*	*
Oklahoma	*	*	*	*	*	*	*
Oregon	*	n/a	*	*	*	*	*
Pennsylvania	*	*	*	*	*	*	*
Rhode Island	*	*	*	*	*	*	n/a
South Carolina	*	*	*	*	*	*	*
South Dakota	*	*	n/a	*	*	*	n/a
Tennessee	*	*	*	*	*	*	*
Texas	*	*	*	*	*	*	*
Utah	*	*	*	*	*	*	n/a
Vermont	*	*	*	*	*	*	n/a
Virginia	*	*	*	n/a	*	*	n/a
Washington	*	*	n/a	*	*	*	*
West Virginia	*	*	*	*	*	*	*
Wisconsin	*	*	*	n/a	*	*	*
Wyoming	*	*	n/a	*	*	*	n/a

Note: **Alaska** has no state sales tax but local governments are authorized to impose sales taxes.

turer. The exemption applies to all improvements to land, buildings, machinery, equipment, and any other property that is a part of the manufacturing process. Projects with less than $5 million of capital investment automatically qualify, and may file for the exemption after the project is complete. Projects with greater than $5 million of capital investment file a four page advance notification form. Supplemental payments, unlike **Texas**, are not expected. Approval of a five-year abatement is relatively automatic, as is a five-year extension.

Other states allow abatements that may last as long as 20, 25 or 30 years. These longer-running abatement programs are less prevalent and usually entail specific and unique circumstances. For example, **Georgia**, **Kansas**, **Mississippi** and **New Mexico** offer property tax abatements for improvements financed by industrial revenue bonds. Additionally, some abatement agreements offer these longer term abatements for those projects that involve significantly larger investments. For example, the *Five for Twenty-five* Program in **West Virginia** abates the value of certain new capital additions to certain facilities with an original cost in excess of $2 billion.

At least 21 of the 44 states offer property tax abatements for projects that are located in a specially created district, such as a "High Technology District" or in "zones" such as "Enterprise Zones." In many instances, the only way a project may qualify for a property tax abatement is to locate in one of these districts or zones. Locating in one of these districts or zones is not always a requirement; however, doing so typically allows the project to receive enhanced benefits, such as a larger percentage of value exempted or a longer abatement period.

Property Tax Exemptions. This report does not classify general exemptions as incentives. However, it should be noted that property tax incentives offered in some states may apply to types of property that would commonly be exempt in another. Additionally, many states may cite these basic exemptions as "incentives" rather than "exemptions'" complicating comparisons across states.

Currently 11 states broadly exempt tangible personal property from their ad valorem taxes and 43 states (including those exempting all personal property) essentially exempt all or almost all business inventory. Business inventory is taxed by some local jurisdictions but is otherwise exempt in **Alaska**, **Maryland**, **Vermont** and **Virginia**. The seven states that tax business inventory are **Arkansas**, **Kentucky**, **Louisiana**, **Mississippi**, **Oklahoma**, **Texas** and **West Virginia**.[12]

Another 12 states offer full or partial exemptions for specific types of business tangible personal property such as certain manufacturing or pollution control equipment, or for computers, software or data center equipment. In some instances the partial exemptions are broad with dollar thresholds like in **Arizona** and **Idaho**. **Vermont** local governments have the option of providing exemptions for business personal property.

Another exemption that impacts business tangible personal property is the "Freeport" or "Goods-in-Transit" exemption. A Freeport exemption exists in all but five states—either as a result of a specific exemption or due to an exemption for all tangible personal property. In **Rhode Island**, one of the five states without a general Freeport provision, there is a similar exemption but it is limited to manufactured goods brought into the state to be finished and then shipped out. **Texas** allows local taxing jurisdictions to offer a Freeport exemption, and while it may be considered an "incentive," many businesses may not perceive it that way since inventories are more commonly exempt in other states.

[12] Source: States Moving Away From Taxes on Tangible Personal Property by Joyce Errecart, Ed Gerrish, Scott Drenkard; Background Paper October 2012, Number 63, Tax Foundation

Property Tax Refund or Credit. As noted in the property tax abatement discussion, **Colorado** and **North Carolina** have programs that make incentive payments or provide a credit for property taxes paid. In both instances these programs provide an alternative approach to the traditional property tax abatement programs offered in other states.

In the case of **North Carolina**, a provision in the state's constitution states that property tax exemptions and classifications can be made only by the state's General Assembly and must apply on a statewide basis. None have been authorized to date, however, two programs have been developed in the place of traditional abatement programs. The *Job Maintenance and Capital Development Fund* (JMAC) grants program is a discretionary program that provides annual grants to businesses that qualify as a "major employer" or a "large manufacturing employer." For a qualifying business to receive a JMAC grant the affected local government entities must also provide the equivalent of a 50 percent credit on the incremental property tax levied on the additional investment. The incentive payment must extend for at least 5, but no more than 10 years. In addition to the JMAC program, counties and cities are authorized to make payments that aid and encourage the location of manufacturing, industrial or commercial plants. The payments are basically negotiated amounts that are based upon the incremental new taxes paid on the new investment. The city or county must conduct a public hearing and may set conditions and restrictions deemed to be in the public interest. These agreements are most often for five years.

Colorado also offers alternatives to traditional property tax abatements. Local governments, except for school districts, can provide property tax credits or incentive payments of up to 50 percent of the levy on taxable new personal property for a period of up to 10 years. The incentive may be 100 percent if the project is located in an Enterprise Zone.

Cities in **Nebraska** also have similar authority to make payments to businesses from the additional sales and/or property taxes an investment generates. **Florida** and **Maryland** have programs that provide for property tax credits based upon the number of new jobs that are created.

Florida's *Qualified Target Industry Tax Refund* (QTI) is available to companies in particular high value industries that are new or expanding and that create new high-paying jobs. The QTI incentive is not limited to property taxes and includes refunds of corporate income, sales and other taxes. The program requires the local community to contribute 20 percent of the total refund. The basic incentive payment is $3,000 per new job or $6,000 per new job if the project is in an Enterprise Zone or Rural Community, though additional amounts can be paid if certain additional requirements are met. No more than 25 percent of the total approved refund can be taken in a single year.

Maryland provides both income tax and property tax credits to businesses that create new jobs and either establish a new facility or expand an existing facility. To qualify for the income tax credit, a business must be pre-approved for a property tax credit. To qualify for the basic property tax credit, a business must create a minimum of either 10 or 25 new jobs depending on the size of the county and the facility. The property tax credit is based upon the incremental local property tax liability on the project and is 52 percent for the first two years, 39 percent for the next two years, 26 percent for the following two years, and zero thereafter. Certain businesses may qualify for an enhanced credit, depending on the size of the facility, the number of jobs created, and the wages paid. **Maryland** also offers property tax credits to businesses that locate in an enterprise zone or an enterprise zone focus area and create jobs and make capital investments.

Other states that have incentive programs that provide for property tax refunds or credits include **Connecticut**, **Maine**, **Minnesota** and **Missouri**.

Property Tax Reduced Valuations or Rates. Several states have programs that provide eligible businesses (or businesses in eligible industries) with incentives that may reduce the value of the property by reclassification, accelerated depreciation allowances or set percentage reductions. **Arizona**, **North Carolina** and **North Dakota** have examples of these types of programs for the renewable energy industry. In **Arizona**, businesses making new qualifying investments of $25 million or more in manufacturing or headquarter operations of renewable energy industries are eligible for 10 to 15 years of property tax savings depending upon the levels of the wages paid for newly created jobs. The real and personal property tax savings are achieved by reclassifying the property. In **North Carolina** solar energy electric systems may be eligible for up to an 80 percent reduction in value for local property tax purposes. **North Dakota** also has a renewable energy incentive that applies to Wind Turbines for electric generation that were constructed and put in place before January 1, 2015. The eligible wind turbine's taxable value is calculated at 3 percent of assessed value instead of the 10 percent rate that applies to all other centrally assessed property.

Other programs may offer preferential or reduced property tax rates. An example is found in **Kentucky** where manufacturing machinery and equipment and certain pollution control equipment is exempt from local taxes and taxed at a lower state rate of $0.15 per $100 of assessed value. Additionally, raw materials and products used in the course of manufacturing are exempt from local taxes and taxed at a lowered state rate of $0.05 per $100 of assessed value.

Tax Increment Financing (TIF). Available in all states except **Arizona**, tax increment financing can be used as a financing tool as well as an economic development tool. As a financing tool, TIFs can be used to finance public infrastructure that will support a specific project. As an economic development tool, TIFs may be used to provide property tax incentives using "payments in lieu of taxes" (PILT or PILOT) or partial rebates of property taxes. Examples of TIFs being used as economic development tools can be seen in programs offered in **New Jersey** and **Utah**.

The **New Jersey** *Economic Redevelopment and Growth* (ERG) program is intended to provide assistance with project financing, specifically to address finance gap issues. The ERG Program may provide an incentive grant of up to 75 percent of the projected annual incremental state and city tax revenues from the project. To qualify, the developer must contribute at least 20 percent of its own capital to the project and be able to demonstrate its attempts to secure additional capital. Annual grant payments can last for up to 20 years.

In **Utah**, cities and counties may award incentive payments to businesses locating in *Economic Development Areas* or *Community Development Areas*. Companies locating in these areas may be given a refund of a portion of the incremental property tax paid on the new additions to the project.

Section B: Sales and Use Tax

Sales taxes[13] are imposed in 46 states[14] and each offers at least one sales tax incentive. **Delaware**, **Montana**, **New Hampshire** and **Oregon** do not impose a general sales tax. Sales tax-related incentives come in the form of exemptions, refunds, credits or reduced rates and range from narrowly targeting a specific industry to applying much more broadly. They may be used to recruit new companies or to incentivize the expansion or retention of existing industries. Sales tax incentives may also be a part of a broader and more comprehensive economic development program. The sales tax incentives mentioned in this section are only a few of the multitude of programs available across the states as detailed in Part 5 of this report.

[13] State "sales taxes" apply to either the "sale" or the "receipt" from the sale. Technically, a tax on the receipt (such as in New Mexico) is not a "sales" tax, but is commonly considered as such in interstate comparisons.
[14] The state of Alaska does not have a state sales tax but local sales taxes are imposed by local governments.

Industry-Specific Programs. A few examples of industry-specific programs include those aimed at data centers, the film industry, aerospace and warehouse/distribution. Along the same theme, states like **Alabama**, **Mississippi**, **Tennessee** and **Washington** have programs offering sales tax refunds on purchases of tangible personal property related to a company's relocation of its national or regional headquarter operations to the respective states and in the case of **Washington** into specific areas of the state.

Data Centers. At least ten states have adopted specific statutes that authorize sales tax incentives for data centers (**Arizona**, **Minnesota**, **Mississippi**, **North Carolina**, **Oklahoma**, **Tennessee**, **Virginia**, **Washington**, **Wyoming, and, more recently, Texas)**. Other states exempt certain purchases made by data centers through economic development statutes that are broader in scope beyond data centers. For example the **Alabama** *Tax Incentive Reform Act of 1992* includes data centers but is broader in scope. Additionally, data center exemptions may establish certain thresholds related to the level of investment, the number of jobs created, or a location in specific areas. **Washington**'s sales tax exemption for purchases of server equipment and power infrastructure applies only to an "eligible" data center located in a rural county with at least twenty thousand square feet of space newly-dedicated to housing working servers.

Film Industry. Twelve states have authorized sales tax incentives for the production of motion pictures, television shows or like productions which come in the form of exemptions or credits. In some, the film production company must apply prior to the beginning of production to obtain the state's approval for the production company to issue an exemption certificate for its eligible purchases. **California**'s incentive is a tax credit based on a percentage of qualified expenditures that can be applied against the sales tax.

Aerospace Industry. The aerospace industry is eligible for sales and use tax incentives in at least 6 states—**Alabama**, **Mississippi**, **New Mexico**, **Oklahoma**, **Virginia** and **Washington**.

The sales tax incentive for aerospace in **Alabama** is part of the *Tax Incentive Reform Act of 1992* that provides local governments with the authority to abate the sales tax for certain industries. The ***Mississippi*** *Aerospace Initiative Incentives* program provides a sales and use tax exemption for the start-up of the facility. This program also applies to the corporate income and franchise taxes and requires a minimum investment of $30 million and the creation of at least 100 jobs.

Oklahoma provides several different exemptions related to the aerospace industry. Sales of computers, data processing equipment, related peripheral and telecommunications services and equipment for use in a qualified aircraft maintenance or manufacturing facility may be exempt if the total cost of items purchased was $2 million or more. A qualified facility is a facility that cost more than $5 million to construct and employs more than 250 new employees. **Oklahoma** also provides exemptions for purchases by a spaceport facility.

The aerospace sales tax incentives in **New Mexico** provide for deductions from its gross receipts (sales) tax. One deduction relates to the receipts from the sale, maintenance, refurbishment, remodeling or modifying of a commercial or military carrier over 10,000 pounds. Like **Oklahoma**, **New Mexico** also has four separate receipts deductions related to the operation of a spaceport.

The **Virginia** aerospace sales tax exemption applies to purchases used directly and exclusively in activities performed in cooperation with the **Virginia** Commercial Space Flight Authority.

The state of **Washington** has two sales tax exemptions related to the aerospace industry – an exemption for construction of new facilities used to manufacture commercial airplanes and an exemption for the purchases of computer hardware, software and peripherals by certain aerospace businesses.

Warehouse/Distribution Facilities. A handful of states have created sales tax incentives targeting warehouse and distribution facilities. Those in **Georgia**, **South Carolina**, **Washington** and **West Virginia** vary with respect to which purchases qualify, as well as a minimum requirement of the amount of investment or the number of jobs involved. For example, in **Georgia** the investment must be for a new or expanded facility totaling $5 million or more. A facility that qualifies may purchase equipment used to handle, move or store tangible personal property for the new or expanded facility tax-free.

South Carolina's incentive is similar to **Georgia**'s but has a higher investment threshold—$35 million.

In **Washington**, eligibility is determined by the size of the facility—at least 200,000 square feet. A company may request a refund of 100 percent of the sales taxes paid on the material and other costs to construct or expand the facility as well as 50 percent of the sales taxes paid on the purchase of material-handling and racking equipment.

The **West Virginia** incentive requires a minimum investment of $50 million plus employment of 300 or more employees at the new facility. Qualified purchases of computers and computer software, primary material handling equipment, racking and racking systems, building materials and other TPP installed into or directly consumed in the construction of the new or expanded facility are exempt when purchased by a company that meets the investment and employment thresholds.

Research and Development. Sales tax incentives are used by many states to encourage research and development activities, including most recently, **Texas**.[15] At least 14 have programs with broad exemptions for tangible personal property used in research and development activities either through specific exemptions or by inclusion of equipment used in research and development activities under the state's manufacturing equipment exemption. States take different approaches. For example, in **Colorado**, qualified taxpayers may request refunds for sales and use taxes paid on purchases of tangible personal property used in biotechnology research and development. **New Mexico** encourages research and development activities by providing a tax credit that can be applied against the gross receipts (sales) tax, rather than a direct exemption.

Construction Of New or Expanded Facility Incentives. A number of states offer exemptions or refunds relating to sales tax on items purchased by a company for the construction of a new or expanded facility. In some instances, these programs target materials incorporated into or consumed in the construction or expansion of an approved project. In other instances, the program is a part of a broader economic development incentive involving multiple taxes and benefits. The exemptions may be partial or full, depending upon each state's respective program.

Specific State Programs. **Arkansas**, **Mississippi**, **New Jersey** and **Oklahoma** have programs that specifically target the sales tax on materials that are incorporated, used or consumed in the expansion or new construction of an approved project.

[15] Under House Bill 800, passed in 2013, taxpayers may choose between either a sales tax exemption for purchases of equipment used in research and development, or a franchise tax credit for research and development expenditures. A company may not claim both.

The **Arkansas** *Tax Back* program provides the opportunity for a qualified business that invests at least $100,000 to receive a refund of sales and use taxes paid on the purchase of building materials and machinery and equipment.

In **Mississippi**, a sales and use tax exemption for component materials used in the construction, expansion or improvement to a facility and for machinery and equipment used in the facility is available to manufacturers, data/information enterprises and technology intensive enterprises. The exemption ranges from 50 percent to 100 percent, depending on the characteristics of the county in which the project is located.

New Jersey's program targets businesses making purchases for the construction and renovation of a new business facility that will employ a certain numbers of workers. An approved company will receive a sales tax exemption certificate that can be used to purchase machinery, equipment, furniture, fixtures, and building materials for the project.

Oklahoma provides a sales tax refund on construction materials used in manufacturing facilities and aircraft maintenance and overhaul facilities that meet certain original cost and newly-created job thresholds.

<u>Bond Proceeds.</u> Another approach taken by some states is to exempt purchases of construction materials made with proceeds from bonds issued to finance a specific economic development project. Examples of this type of exemption can be found in **Kansas**, **Missouri** and **Rhode Island**. **Kansas** exempts the purchase of tangible personal property financed through industrial revenue bonds.

Missouri exempts tangible personal property used for non-manufacturing purposes that is purchased through *Chapter 100* bonds authorized in state law. The **Missouri** Department of Economic Development issues a state and local sales tax exemption to a company for which Chapter 100 bonds have been issued and the company presents the exemption certificate when making its purchases.

Rhode Island provides businesses using bond financing programs offered through the **Rhode Island** Economic Development Corporation (RIEDC) or those given "Project Status" by the RIEDC a sales tax exemption on construction materials, furniture, fixtures, machinery, computers and equipment for the facility that are not already exempt by another provision in the law.

<u>Broader Programs.</u> In many instances, states provide for an exemption or refund of sales taxes paid on construction materials as part of a more general economic development program. Examples of these more general programs include enterprise zone or other special zones or special district programs, or a component of more comprehensive economic development programs that include other incentives beyond merely a refund of sales taxes paid on construction materials.

Alabama, **Florida**, **Hawaii**, **Illinois** and **Louisiana** specifically provide a sales tax incentive for construction materials used in an enterprise or otherwise designated improvement zone.

The **Idaho** *Business Advantage*, **Iowa** *High Quality Jobs*, **Kansas** *High Performance Incentive Program*, **Kentucky** *Enterprise Initiative Act*, and **Louisiana** *Industry Assistance Program* are all comprehensive economic development programs that incorporate a specific sales tax incentive for construction materials.

<u>Jobs-Related Sales Tax Credits or Refunds.</u> A handful of states, including **New Mexico** and **Florida**, offer programs that provide sales tax credits or refunds based on new jobs.

The state of **Florida** has two programs that could be viewed as jobs programs. One, the *Qualified Target Industry Tax Refund* (QTI) program is available to companies that create high wage jobs in targeted high value-added industries. The QTI refund can be applied against multiple taxes, including the corporate tax, the sales tax and ad valorem taxes. The refund is $3,000 per net new job created or retained and can increase to $6,000 per job if in an Enterprise Zone. There are additional enhanced per job benefits that may be achieved depending on the level of wages paid, increases in export tonnage through a seaport or airport in the state or location in certain designated areas.

The **Florida** *Jobs Tax Credit* program allows a business located in either a rural or urban enterprise zone to take a sales and use tax credit for 20 to 45 percent of wages paid to new eligible employees who are residents of **Florida** enterprise zones. The credit is available for 24 months, provided the worker remains employed. The actual percentage of qualifying wages depends upon whether the business is located in a rural or urban zone and the percentage of employees residing in the enterprise zone.[16]

The state of **New Mexico** has two distinct jobs programs that provide a credit against the state's gross receipts tax (its sales tax equivalent). The High Wages Jobs Tax Credit is available to qualified employers who create new jobs that meet certain wage thresholds. The refundable credit equals 10 percent of the wages and benefits paid for each qualified job and can be applied to the qualified employer's gross receipts tax or withholding tax. The credit is available for 4 years and is capped at $12,000 per year, per job. The *Rural Jobs Tax Credit* is available to manufacturers and non-retail service companies that export a substantial percentage of services out of state and are located in either of the two rural tier areas. The maximum per job tax credit may be $1,000 per year for up to four years depending upon the area in which the job is located. The *Rural Jobs Tax Credit* can be applied against the state gross receipts, corporate income or personal income taxes.

Comprehensive Multi-Tax Incentive Programs. At least 19 states have comprehensive multi-tax incentive programs that contain at least both sales and income tax incentives; almost a third of these state programs also incorporate a property tax incentive.[17] Several have multiple programs. **Louisiana** and **Mississippi** each have at least three programs that include both a sales tax incentive and income tax incentive. **Arkansas**, **Idaho**, **New York** and **Utah** each have at least two programs that combine both sales and income tax incentives.

Arkansas' two programs are the **Arkansas** *Tourism Development Act* and *Targeted Business Incentives*. The **Arkansas** Tourism Development Act provides state sales and use tax credits and income tax credits to businesses starting approved tourism attraction projects that meet minimum project costs. The sales tax credit is based on 15 percent of eligible project costs or 25 percent if located in a high unemployment county. The state income tax credit is equal to 4 percent of the annual payroll for certain of the new employees. The *Targeted Business Incentive* program is available to qualified targeted businesses that meet certain minimum requirements. The available incentives include:

- a refund of sales taxes paid on purchases of building materials and machinery and equipment associated with the approved project;
- a transferable income tax credit equal to 10 percent of payroll for up to 5 years;

[16] This sales tax credit is not available if the business is taking the Enterprise Zone Jobs Tax Credit against its corporate tax.
[17] Other states have programs that include both a sales and income tax incentive but a business must choose between the incentives and cannot take advantage of both tax incentives. For purposes of this report, a "comprehensive multi-tax incentive" is a program where both incentives are available to be taken by the business.

- a transferable income tax credit equal to 33 percent of eligible research and development expenditures.

Idaho's two programs are the *Business Advantage* program and the **Idaho** *Tax Reimbursement Incentive*. The *Business Advantage* program is available to businesses that invest a minimum of $500,000 in facilities and create at least 10 new jobs with wages averaging at least $40,000 plus benefits. The benefits available to qualifying businesses are:

- full or partial property tax exemption
- up to $3,000 new job income tax credit
- 3.75 percent enhanced investment income tax credit
- 2.5 percent real property income tax credit
- 25 percent sales and use tax rebate of taxes paid on any property constructed, located or installed within the project site.

The **Idaho** *Tax Reimbursement Incentive* is a performance-based incentive that provides a tax credit based on new state tax revenues generated by companies adding new qualifying jobs and expanding in or relocating to the state. The tax credit can be up to 30 percent of income, payroll and sales taxes for up to 15 years.

The three comprehensive programs in **Louisiana** are the *Enterprise Zone Program*, the *Industry Assistance Program* and the *Industrial Tax Exemption Program*. The ***Louisiana*** *Enterprise Zone Program* is structured as a jobs incentive program that provides income and franchise tax credits as well as a potential sales tax refund to new or existing businesses creating permanent net new full-time jobs. A qualified business must have 100 or more employees nationwide, be located in an enterprise zone, create a minimum of 5 new full-time jobs within 24 months of the project start date, and hire 50 percent of the new employees from specified target groups. The benefits include a one-time $2,500 job tax credit for each new job created—applied against the state's corporate income and franchise tax—and either a 4 percent refund of sales taxes paid on qualifying materials, machinery, furniture and equipment, or a 1.5 percent refundable investment tax credit on the total capital investment (excluding exempted items) applied against the corporate income and franchise taxes.

The **Louisiana** *Industry Assistance Program* (IAP) is available to businesses in bioscience, manufacturing, software, environmental technology, food technology, advanced materials or oil and gas field service industries. IAP authorizes state officials to enter into an agreement with qualified businesses that fully or partially exempts the business from the:

- corporation franchise tax;
- corporation income tax;
- sales and use taxes imposed by the state on any goods, services, material and supplies necessary for or used in manufacturing or production of a product or consumed by the applicant;
- sales and use taxes on machinery and equipment to be used by the applicant, or materials and building supplies, whether purchased directly or through a contractor, to be used in the repair, reconstruction, modification or construction of plant and facilities; and
- any other taxes directly imposed by the state.

The initial term of the agreement is for up to 5 years, but can be renewed for periods of up to five years not to exceed a total of 15 years.

The **Louisiana** *Tax Equalization Program* authorizes state officials to enter into an agreement with qualifying manufacturing establishments, headquarters or warehousing and distribution establishments to equalize the total tax burden in **Louisiana** to that of a competing site located in another state. The competing site must offer comparative advantages that are equal to or greater than the comparative advantages offered at the **Louisiana** site. The amount of the benefit provided is determined by comparing the total tax liability of the qualifying business in **Louisiana** to the total tax liability that the qualifying business would have incurred in the competing state. If the **Louisiana** total tax liability is greater in this comparison, then the qualifying business' **Louisiana** tax liability is reduced using a priority schedule of certain of the state's taxes until the compared tax burdens are equal. This comparison is done annually for the term of the agreement. The initial term of the agreement is 5 years with the option to be renewed for an additional 5 years. The exemptions can be offered for the following taxes: the corporate franchise tax, the corporate income tax, the sales tax for certain purchases of tangible personal property, and any other state taxes which the qualifying business may owe.

Mississippi has four distinct comprehensive programs that include both sales tax and income tax incentives. The *Growth and Prosperity Program* (GAP) is an incentive program available to certain businesses, including manufacturers and research and development enterprises, determined on a case-by-case basis by state officials. To be eligible, a qualified business' project must be in an economically-challenged area of the state and create at least 10 new jobs. The benefits available include:

- a sales tax exemption for building materials, equipment, machinery and other assets purchased during the initial construction or expansion of an approved facility;
- an exemption from state income and franchise taxes related to the approved facility for up to 10 years; and
- a property tax abatement for taxes levied on land, buildings, equipment and certain inventory for up to 10 years.

Mississippi's other multi-tax programs target specific industries. The *Clean Energy Initiative* is available to certified companies that manufacture systems or components used to generate clean, renewable or alternative energy. A business must invest a minimum of $50 million and create 250 full time jobs. The benefits are a 10-year exemption from state income and franchise taxes and a sales tax exemption for materials used to establish a new plant or expand an existing plant. The *Health Care Industry Zone Act* is available to health care-related businesses that invest $10 million or create at least 25 full time jobs within a qualified Health Care Zone. Certified health care businesses are eligible for benefits that include an accelerated 10-year state income tax depreciation deduction and a sales tax exemption for the equipment and materials purchased from the date of certification until three months after the project is completed. Additionally, the cities and counties are authorized to grant a property tax "fee in lieu" for 10 years or a 10-year abatement.

New York has two comprehensive economic development programs, the *Economic Transformation Program* and *START_UP NY*. The *Economic Transformation Program* was put in place in 2011 to encourage activity in areas affected by the closure of certain correctional and juvenile justice facilities. The program provides tax credits and up to $50 million in capital funding for projects in targeted industries such as high-tech, bio-tech, clean-tech, and manufacturing. Projects involving retail and professional service businesses may be eligible if located at the site of a closed facility. Firms that create at least five net new jobs may qualify for up to five fully refundable tax benefits:

- A jobs tax credit of 6.85 percent of the wages of each net new job;

- An investment tax credit of 6 percent of capital investments with the credit increasing to 10 percent if it is at the site of a closed facility (credit capped at $4 million per firm for investments outside the facility and $8 million for all investments at the facility);
- A real property tax credit of 25 percent of eligible property taxes in the first year, phasing down to 5 percent in year five (the credit is doubled if firms are located at a closed facility);
- A job training tax credit of 50 percent of training expenses for each hire of a former employee of the closed facility (capped at $4,000 per employee per year); and
- A sales tax refund on tangible personal property used for construction at an eligible site.

START_UP NY offers incentives to certain businesses relocating or expanding in **New York** that align with an institution of higher education and create new jobs. Benefits include a business tax-free **New York** area elimination credit for up to 10 years, which can effectively eliminate any tax liability during that period. The credit is calculated by the business when filing its tax return and is prorated based on the percentage of assets and payroll within tax-free areas, up to 100 percent. The credit also applies to the eligible business's income and franchise tax liabilities. Other tax benefits available for up to 10 years include:

- Partial or full exemption for the metropolitan commuter transportation district mobility tax;
- Sales tax refund or credit for taxes paid for goods and services used or consumed in tax-free areas;
- State and local real estate transfer tax exemptions for leases of real property in a tax-free area; and
- A five-year personal income tax exemption for employees hired into the newly-created jobs in a tax-free area; for the second five years the exemption is for incomes up to $200,000 for individuals, $250,000 for head of household and $300,000 for joint filers (annual cap per business and a cumulative annual cap statewide of 10,000 net new jobs).

Utah's two programs are the *Economic Development Tax Increment Financing* (EDTIF) program and the *Alternative Energy Development Incentive* (AEDI). The EDTIF program provides a tax credit to companies relocating to or expanding operations in **Utah**. Companies within a specific target industry meeting the new job and wages paid thresholds, making capital investments and generating new tax revenue can qualify for the EDTIF tax credit after entering into an incentives agreement with the state. The EDTIF tax credit is a post-performance, refundable tax credit for up to 30 percent of new state sales, corporate income and withholding taxes paid to the state. The term of the agreement is typically 5 to 10 years.

The **Utah** AEDI program is also a post-performance tax credit. This program is available to projects that generate new state revenues, create new jobs and are either new or expanding operations to generate 2 megawatts or more of electricity using hydroelectric, solar, biomass, geothermal, wind or waste heat. A project that will be extracting alternative fuels on a large scale (at least 1,000 barrels per day or more) may also be eligible. The AEDI tax credit is for 75 percent of new state sales, corporate income and withholding taxes. The term of the incentive is the lessor of 20 years or the life of the project.

Section C: Income/Franchise Taxes

Corporate income and/or franchise taxes are imposed in 45 states and each offers at least one incentive program (with the vast majority of states offering at least five or more incentives). Corporate income taxes are not imposed in **Nevada**, **Ohio**, **South Dakota**, **Washington** or

Wyoming.[18] Most income tax-related incentives are in the form of credits, but they may also include deductions or exclusions from income, special deductions, special apportionments, and exemptions. The majority of income tax-related incentives reward job creation, wages paid, and investments in facilities and machinery and equipment. Incentives in at least 25 states are connected to activity in enterprise zones and other special zones. There are also programs that reward certain activities such as research and development or worker training as well as programs that target specific industries such as film production, data centers, and headquarter relocations. Figure 4.2 provides a quick view of the various state programs.

Job- and Wage-Related Programs. At least 34 states have one or more programs that offer a tax credit for either the number of new jobs created, wages paid for newly-created jobs or a combination of both. The following description of programs from states across the U.S. and **Texas**' neighboring states provides a flavor for the scope of the individual job and wage related programs.

*Advantage **Arkansas*** offers a state income tax credit based on a percentage of the payroll of the newly-added jobs. To qualify, a business must meet a payroll threshold ranging from $50,000 to $125,000. The payroll threshold and the percentage of payroll depend upon the county in which the business locates or expands. The credit can be earned for five years. **Arkansas**' Targeted Business Incentive, discussed in the previous section, also includes an income tax credit for 10 percent of payroll for up to 5 years.

California's *New Employee Credit* is available each taxable year beginning on or after January 1, 2014 for qualified businesses that hire full-time employees who are paid qualified wages for work performed in a *Designated Geographic Area*. To receive the credit, a qualified business must have a net increase in full-time employees in **California**. The credit can be for up to 35 percent of qualified wages.

Florida has two programs that provide job related incentives: *Enterprise Zone Jobs Tax Credit* and the *Qualified Targeted Industry Tax Refund* (QTI). QTI provides a tax refund to companies that create high wage jobs in targeted high value-added industries. In addition to the corporate tax, the QTI refund can apply to sales, ad valorem, and certain other taxes. The refund is $3,000 per net new job created or retained and can increase to $6,000 per job if in an Enterprise Zone. Additional enhanced benefits may be achieved depending on the level of wages paid, increases in export tonnage through a seaport or airport in the state, or if the job is created in certain designated areas. The **Florida** *Enterprise Zone Jobs Tax Credit* program allows a business located in an urban enterprise zone to take an income tax credit of 20 to 30 percent of wages paid to eligible employees who are residents of **Florida** Enterprise Zones. The program also allows a business located in a rural enterprise zone to take an income tax credit for 30 or 45 percent of wages paid to new eligible employees who are residents of a rural county or Rural Enterprise Zone. The credit is available for 24 months, provided the employee remains employed for that period.

Georgia has three job creation incentive programs: *Job Tax Credit, Mega Project Tax Credits,* and *Quality Jobs Tax Credit*. The *Job Tax Credit* is available to businesses in seven strategic industry sectors and can provide a tax credit of up to $4,000 per year per job. The actual credit amount is determined based on the number and location of jobs created. The tax credit can be taken for up to 5 years and carried forward for up to 10 years. A business must choose between taking this credit or the investment tax credit.

[18] Ohio and Washington impose gross receipts taxes and Nevada imposes a payroll tax in place of a corporate income tax. The Texas Franchise Tax is a modified gross receipts tax; however, for most reporting purposes, Texas is included with the states imposing a corporate income tax.

Figure 4.2
Summary of Income Tax-Related Incentives
Types of Programs

State	Jobs/Wages	Investment in Facility or Equipment	Film	Enterprise Zone or other special zones	Research and Development Activities	Employee Training
Alabama	*	*	*	*	n/a	n/a
Alaska	n/a	n/a	*	n/a	n/a	n/a
Arizona	*	n/a	n/a	*	*	n/a
Arkansas	*	*	n/a	n/a	*	*
California	*	n/a	*	n/a	*	n/a
Colorado	*	*	n/a	*	n/a	n/a
Connecticut	*	*	*	*	*	*
Delaware	*	*	n/a	n/a	*	n/a
Florida	*	*	n/a	*	n/a	n/a
Georgia	*	*	*	n/a	*	*
Hawaii	n/a	n/a	*	*	n/a	n/a
Idaho	*	*	n/a	n/a	*	n/a
Illinois	*	*	*	*	n/a	n/a
Indiana	*	*	n/a	*	*	n/a
Iowa	*	*	n/a	n/a	*	n/a
Kansas	n/a	*	*	n/a	*	*
Kentucky	n/a	*	*	n/a	n/a	*
Louisiana	*	n/a	*	*	*	n/a
Maine	n/a	*	n/a	*	*	n/a
Maryland	*	*	*	*	*	n/a
Massachusetts	n/a	*	*	n/a	*	n/a
Michigan	n/a	n/a	n/a	*	n/a	n/a
Minnesota	*	n/a	n/a	*	n/a	n/a
Mississippi	*	*	n/a	n/a	*	n/a
Missouri	*	*	n/a	n/a	n/a	n/a
Montana	*	*	*	*	*	n/a
Nebraska	*	*	n/a	n/a	n/a	n/a
Nevada	n/a	n/a	n/a	n/a	n/a	n/a
New Hampshire	*	n/a	n/a	*	*	n/a
New Jersey	*	*	n/a	*	*	n/a
New Mexico	*	*	*	n/a	n/a	n/a
New York	*	*	*	n/a	*	*
North Carolina	n/a	n/a	*	n/a	*	n/a
North Dakota	*	*	n/a	*	*	*
Ohio	n/a	n/a	n/a	n/a	n/a	n/a
Oklahoma	*	*	n/a	*	n/a	n/a
Oregon	n/a	n/a	n/a	*	*	n/a
Pennsylvania	*	n/a	*	*	*	n/a
Rhode Island	*	*	*	*	*	*
South Carolina	*	*	*	n/a	*	*
South Dakota	n/a	n/a	n/a	n/a	n/a	n/a
Tennessee	*	*	n/a	n/a	n/a	n/a
Texas	n/a	n/a	n/a	*	*	n/a
Utah	*	*	*	*	*	n/a
Vermont	n/a	*	n/a	*	*	n/a
Virginia	*	*	*	*	*	*
Washington	n/a	n/a	n/a	n/a	n/a	n/a
West Virginia	*	*	*	n/a	n/a	*
Wisconsin	*	*	*	*	*	n/a
Wyoming	n/a	n/a	n/a	n/a	n/a	n/a

The **Georgia** *Mega Project Tax Credit* is available to companies that employ 1,800 or more net new employees and either invest a minimum of $450 million or have a minimum annual payroll of $150 million. A credit of $5,250 per net new job per year is available for the first five years, and excess credits may be applied against payroll withholding taxes. Excess credits can be carried forward for up to 10 years. The *Quality Jobs Tax Credit* allows a company that creates at least 50 new jobs over a 12 month period to earn an income tax credit ranging from $2,500 to $5,000 per job—depending on wage levels. This credit can also be applied against payroll withholding taxes once the income tax liability has been exhausted.

The **Missouri** *Manufacturing Jobs Program* is open to qualified manufacturers that either make a capital investment of at least $75,000 per retained job at a facility for the manufacture of a *new* product or that commit to make a capital investment of $50,000 per retained job at the facility for the modification or expansion of the manufacture of an *existing* product. A qualified manufacturer, upon approval, is allowed to retain from 50 to 100 percent of the withholding taxes for 7 to 10 years. Similar benefits may be available to a supplier that receives more than 10 percent of its total sales revenue from a qualified manufacturer, added 5 or more new jobs and pays wages that meet minimum requirements along with required benefits. A qualified supplier may retain 100 percent of withholding taxes from the new jobs for three years or for five years if the wages paid for the new jobs meet a higher threshold.

The **Louisiana** *Enterprise Zone* program provides income and franchise tax credits to new or existing businesses creating permanent net new full-time jobs. A qualified business must have 100 or more employees nationwide, be located in an enterprise zone, create a minimum of 5 new full-time jobs within 24 months of the project start date, and hire 50 percent of the employees for the newly created jobs from specified target groups. Benefits include a one-time $2,500 per job income/franchise tax credit.

New Mexico's *High Wages Jobs Tax Credit* is available to qualified employers who create new qualified jobs that meet certain wage thresholds. The refundable credit equals 10 percent of the wages and benefits paid for each qualified job and can be applied to the qualified employer's withholding tax. The credit is available for 4 years and is capped at $12,000 per job per year. **New Mexico**'s *Rural Jobs Tax Credit* is available to manufacturers and non-retail service companies that export a substantial percentage of their work product out of state and are located in either of two rural tier areas. The maximum per job tax credit equals $1,000 per year for up to four years. The Rural Jobs Tax Credit can be applied against either state corporate income or personal income taxes.

New York has programs that incorporate a jobs tax credit. The *Economic Transformation Program*, described in detail in the previous section, provides a jobs tax credit equal to 6.85 percent of the wages paid for each net new job. Eligible firms must be in targeted industries and create at least five net new jobs. The *Excelsior Jobs Program* also includes a 10 year tax credit of 6.85 percent of wages per new job for businesses that meet the minimum requirements.

Oklahoma's job-related income tax incentive is a component of the investment/new jobs tax credit that is available to manufacturers that either make at least a $50,000 investment in depreciable property or add new full-time employees engaged in manufacturing. The benefit is $500 per new employee. A manufacturer that invests in qualified new depreciable property and also hires new employees calculates the five-year credit for both investment (one percent of qualifying investment) and jobs ($500 per new employee) and then chooses the larger credit. The credit is doubled if the project is located in an enterprise zone. This credit is not available to participants in the Quality Jobs Program (cash rebate program) unless the investment is more than $40 million.

South Carolina's *Jobs Tax Credit* rewards new and expanding companies creating and maintaining a certain number of jobs in manufacturing, warehousing, research and development, headquarters operations, or certain services. The credit depends on the number, wages, and location of the jobs and may be as high as $9,000 per job.

Investment Tax Credit Programs. At least 33 states have one or more programs that offer a tax credit for investment in facilities and/or equipment and machinery.

Arkansas' program, *ArkPlus*, may be offered in highly competitive cases. *ArkPlus* provides an income tax credit equal to 10 percent of the total investment in a new location or expansion project. To qualify for the program, a business must meet certain payroll and investment thresholds, which vary depending upon location. The investment tax credit may be used to reduce the **Arkansas** income tax liability by up to 50 percent in the year the credit is earned. Unused credits can be carried forward for 9 years. **Arkansas** also offers an investment tax credit for certain recycling equipment equal to 30 percent of the cost of acquisition and installation.

The **Florida** *Capital Investment Tax Credit* (CITC) is available to projects in designated industry sectors that meet certain job and investment requirements. To qualify, the eligible project must create at least 100 new jobs and invest at least $25 million. The credit is equal to 5 percent of the eligible capital costs and, upon approval, can be used annually for up to 20 years.

Idaho has four investment tax credits: two that are part of the ***Idaho*** *Business Advantage* program, one stand-alone investment tax credit (ITC) and a *Broadband Income Tax Credit*. The *Business Advantage* program contains a 3.75 percent enhanced ITC and a 2.5 percent real property improvement tax credit available to businesses that invest a minimum of $500,000 in facilities and create at least 10 new jobs with wages averaging at least $40,000 along with certain benefits. The investment tax credit is available to businesses making qualifying new investments in new or used depreciable property. The credit is equal to 3 percent of the investment, can be used to offset up to 50 percent of the business' income tax liability, and may be carried forward for up to 14 years. The *Broadband Income Tax Credit* is available to business that purchase qualified broadband equipment and infrastructure for the benefit of end users in **Idaho**. The credit is 3 percent of the qualified purchase up to $750,000. The credit is transferable and may be carried forward for up to 14 years.

Kansas' *High Performance Incentive Program* (HPIP) is a multi-tax incentive available to a manufacturing business paying above-average wages and making significant investment in eligible employee training. Headquarters and certain other business units also may qualify. Benefits include an income tax credit equal to 10 percent of eligible capital investments, a training income tax credit of up to $50,000, and a sales tax exemption on the purchases of the capital items that qualified for the ITC.

New Mexico's *Investment Tax Credit for Manufacturers* is equal to 5.125 percent of the value of qualified equipment: for projects up to $30 million, one new job must be created for every $500,000 of equipment, and for projects over $30 million one new job must be created for each $1 million of equipment. Equipment acquired under an industrial revenue bond (IRB) is also eligible. A manufacturer may claim the credit against its state withholding taxes up to 85 percent per reporting period until the amount of the ITC credit is exhausted.

The **New York** *Excelsior Jobs Program* includes an investment tax credit valued at 2 percent of qualified investments. The program is available to businesses in identified strategic industries that meet minimum job and investment requirements. The credit can be taken over a 10 year period. **New York** also offers additional investment tax credits ranging from 6 to 10 percent that are available to businesses placing qualified property into service during the tax year. New businesses may elect to receive a refund of certain credits and all unused credits may be carried forward for 15 years.

Oklahoma offers an investment-related income tax incentive as a part of its *Investment/New Jobs Tax Credit* discussed in the previous section.

South Carolina has several distinct investment tax credits. Manufacturers locating or expanding in **South Carolina** may receive up to a 2.5 percent credit for investment in new production equipment. An *Economic Impact Zone Investment Credit* is available to manufacturers locating in *Economic Impact Zone* counties and provides a benefit of a one-time credit of up to 5 percent of the manufacturer's investment in new production equipment that may be carried forward for 10 years. The actual value of the credit is determined by the federal applicable recovery period. There is also a special *Investment Tax Credit for Rubber and Plastics Manufacturers*.

Programs to Incentivize Specific Industries or Activities. While income tax incentives for jobs and investment are prevalent in a majority of the states, a large number of states also have programs that target specific industries or activities. Tax incentives to encourage research and development activities within the respective states is the third most common income tax incentive. Research and development income tax incentives, found in at least 31 states, may provide credits and other forms of incentives for equipment and/or wages paid to employees involved in these type activities, or both. An example of a program that does both is the **New Mexico** *Technology Jobs Tax Credit* program. It provides a basic tax credit equal to 4 percent of qualified expenditures (that may be applied against withholding taxes), and an additional tax credit equal to 4 percent (or 8 percent if the facility is located in rural **New Mexico**) of qualified expenditures that may be applied against the state's corporate or personal income taxes. To qualify for the additional tax credit, the business must increase its in-state payroll by $75,000 for every $1 million of qualified expenditures claimed.

Other activities commonly encouraged through income tax incentives are workforce training and motion picture productions. At least 11 states encourage workforce training through income tax incentives; 23 offer income tax incentives for film production (many also offer sales tax incentives for film-related activities).

Many states that offer targeted sales tax incentives also have income tax incentives targeting certain types of manufacturing or other activities and industries. For example, specific income tax incentive programs for data centers can be found in **Connecticut** and **Tennessee,** though many other states provide the same types of incentives through their more general incentive programs. The same is true of states offering incentives to the aerospace industry. **Mississippi** and **Oklahoma** have specific programs targeting aerospace that include income tax incentives, but several other states have broader income tax incentive programs under which aerospace could qualify.

States also offer income tax incentives to encourage the relocation or expansion of regional or national headquarter operations within their respective borders. The states of **Indiana**, **Mississippi**, **South Carolina**, **Tennessee** and **West Virginia** have specific headquarters relocation or expansion programs. The **Indiana** *Headquarters Relocation Tax Credit* allows for a credit of up to 50 percent of the approved relocation costs and is available to corporations with annual sales greater than $50 million that have at least 75 employees in the state after relocation. The credits in the states of **South Carolina**, **Tennessee** and **West Virginia** are also intended to cover relocation costs when the respective program thresholds are met. The **Mississippi** program takes a different approach. The **Mississippi** *National or Regional Headquarters Credit* is available to companies relocating national or regional headquarters to the state or expanding existing headquarter operations in the state. At least 20 new jobs must be created and the credit ranges from $500 to $2,000 per employee depending upon the wages paid. **South Carolina**'s credit also applies in the case that an existing headquarters operation is expanding and the threshold requirements are met.

Credits for Property Tax Paid. There are a number of states that provide an income tax credit for property taxes paid on equipment, inventory, or new or improved property. **Connecticut** provides a tax credit equal to 100 percent of the property tax paid on electronic data processing equipment. The state of **Florida** offers an *Enterprise Zone Property Tax Credit* that is equal to 96 percent of the taxes paid on new or improved property located in a zone. **Kansas**' income tax credit for property tax is limited to telecommunications companies and equal to the difference between the property tax paid at the 33 percent assessment rate and the property tax that would be due if the property was assessed at a 25 percent assessment rate.

The state of **New York** has two programs that include a credit for property tax paid: the *Economic Transformation Program* and the afore-mentioned *Excelsior Jobs Program*. The *Economic Transformation Program* real property tax credit is equal to 25 percent of eligible property taxes in the first year, phasing down to 5 percent in year five. The credit is doubled if firms are located at the facility and phases down to 10 percent in year 5. The *Excelsior* real property tax credit is available to businesses located in certain distressed areas or to businesses in targeted industries that meet certain employment and investment thresholds.

Louisiana and **West Virginia** both have an income tax credit for property taxes paid on certain inventory. The **Louisiana** credit is equal to the tax paid on business inventory held by manufacturers, distributors and retailers. The **West Virginia** *Manufacturing Inventory Credit* is equal to the property taxes paid on raw materials, goods in process and manufacturers' finished goods inventory.

Economic Development Income Tax Exemptions. At least 9 states offer programs that provide full or partial income tax exemptions for specified economic development projects. Most of these programs require the project to be located in specified areas such as counties with certain unemployment or poverty levels, university campuses, or special zones. However, three of the states, **Louisiana**, **North Dakota**, and **Wisconsin**, have programs that do not have a location requirement.

The state of **Louisiana** has two programs that provide either full or partial income tax exemptions for specified economic development projects. The **Louisiana** *Industry Assistance Program* (IAP) is available to businesses in bioscience, manufacturing, software, environmental technology, food technology, advanced materials or oil and gas field service industries. IAP authorizes state officials to enter into an agreement with qualified businesses that fully or partially exempts the business from the corporate franchise tax and corporate income tax as well as providing sales tax exemptions for certain purchases and exemptions for other taxes. The initial term of the agreement is for up to 5 years, but can be renewed for periods of up to five years not to exceed a total of 15 years.

The **Louisiana** *Tax Equalization Program,* detailed earlier, authorizes state officials to enter into an agreement with qualifying manufacturing establishments, headquarters or warehousing and distribution establishments to equalize the total tax burden in **Louisiana** to that of a competing site located in another state.

North Dakota has two programs that provide an income tax exemption for the tax attributable to an economic development project. One applies to projects located in "renaissance zones" and has a $500,000 limit on the eligible income that can be exempted in a tax year. This exemption is available for 5 years. The second program is available to new or expanding businesses that are considered to be a "primary sector" business or a tourism business. An eligible business may qualify for an exemption on the net income of a project for up to 5 years.

Wisconsin has a program that is available to businesses that relocate to the state from another state or country (and cannot have done business in **Wisconsin** for two preceding taxable years). The benefit is equal to the net **Wisconsin** tax liability of the business after taking into account all other allowable credits, deductions, and exclusions. The credit may be claimed for a two year period beginning when the business relocates to **Wisconsin**.

Minnesota, **Mississippi**, **New York**, **Oregon**, **Pennsylvania** and **South Carolina** also have full or partial income tax exemptions for economic development projects in specific areas of the state.

The benefits of the **Minnesota** *Job Opportunity Building Zones* (JOBZ) program are based upon the scope of the planned business expansion.[19]

Mississippi's *Growth and Prosperity Program* (GAP) is available to certain businesses, including manufacturers and research and development enterprises as well as other businesses or industries that locate in a GAP area—a county with an unemployment rate that is 200 percent of the state's annual unemployment rate or a county with 30 percent or more of its population below the federal poverty level—as determined on a case-by-case basis by state officials. A qualified business must create at least 10 new jobs to be eligible for an exemption from state income and franchise taxes related to the approved facility for up to 10 years. The qualified business may also be eligible for sales tax exemptions for certain purchases and property tax abatements for up to 10 years.

The **Oregon** *Investment Advantage* program is available to any type of business located in an eligible county and has no minimum investment requirement. However, the following criteria must be met:

- the business does not operate a similar facility in the state (i.e. the business operation must be new to **Oregon**);
- the operations will not compete with existing businesses in the local area where the proposed facility is to be located;
- at least 5 new full-time employees will be hired; and
- the new employees' compensation must be at least 150 percent of local income (or 100 percent of local income if health insurance coverage is provided that meets the minimum requirements).

An eligible business can be certified annually, up to 8 years, to subtract taxable income related to the approved project.

The **Pennsylvania** *Keystone Opportunity Zone* program can provide qualified businesses with significant tax savings by allowing full or partial exemptions for taxes through credits, waivers and broad-based tax abatements related to the economic activity from projects located in zones. The credits, waivers and abatements can be offered for: the corporate net income tax, franchise tax, state and local sales taxes on certain purchases, local property taxes, as well as other state and local taxes. An annual application is required to receive the benefits. An existing **Pennsylvania** business relocating to a zone must meet minimum requirements related to increased employment or new capital investment.

The **South Carolina** *Corporate Income Tax Moratorium* is available to businesses that create net new jobs in certain economically distressed counties.[20] Qualified companies are able to eliminate their state income tax liability for either 10 or 15 years depending upon the number of new jobs created. In order to qualify, at least 90 percent of the business' total investment must be located in an

[19] The Minnesota Job Opportunity Building Zones program is scheduled to expire on December 31, 2015.
[20] In 2014, only three counties were designated as moratorium counties.

economically distressed county. Qualified companies creating at least 100 net new full-time jobs in a 5-year period qualify for a 10 year moratorium. If the company creates at least 200 net new full-time jobs in a 5-year period the moratorium is for 15 years. The moratorium period begins when the required job target is met.

In addition to the states offering specific income tax exemption programs, several states offer similar programs that may result in complete or partial exemptions. Examples can be found in **California** and **Illinois**. **California** recently created the *California Competes Tax Credit* that is available to both large and small businesses (25 percent of the total allocated credit is reserved for small businesses). Businesses must apply for and negotiate a tax credit agreement with state officials. The minimum tax credit is $20,000, and any unused credit can be carried forward for up to five years. The amount of the credit is based on many factors, including: the number of jobs created or retained in the state, wages paid, level of investment in the state, and on other state and local incentives available to the business in either **California** or competing states.

Illinois' *Economic Development for a Growing Economy Tax Credit* (EDGE) is available for projects that expand existing operations or create new locations. A business must either:

- commit to making a capital investment of at least $5 million and creating at least 25 new jobs;
- commit to making a capital investment of at least $1 million and creating at least 5 new jobs, if its total number of employees is less than 100; or
- meet the investment and job creation or retention requirements established by the Department of Commerce and Economic Opportunity.

The potential value of the credit is 100 percent of the state withholdings tax paid for the newly-created jobs. The nonrefundable EDGE credit can be applied to the business' corporate income tax liability for up to 10 years and unused credits can be carried forward for up to 5 years.

Section D: Other Business Taxes

Corporate income and franchise taxes are not the only business taxes imposed by the states. Five states, as noted in the previous section, do not impose corporate income taxes. **Ohio** and **Washington** both impose true gross receipts taxes (and not simply sales tax equivalents) and **Nevada** imposes a general business tax on payroll. In addition, states tend to tax insurance companies through industry-specific insurance taxes rather than corporate income taxes. Banks and similar financial institutions may also be taxed under specific bank or financial services taxes. States that are rich in natural resources like coal, natural gas and oil tend to impose severance or production taxes.

Insurance and Bank Tax Incentives. The same incentives offered by the states to businesses paying the corporate income tax are in many instances made available to insurance companies and banks through the industry-specific tax they pay. Additional incentives may also be available—most often to encourage these industries to provide financial assistance to other businesses.

For example, incentives may be offered to insurance companies to encourage their participation in state-sponsored equity funds or to venture capital funds that can provide financing for new business investments in their state.

Nevada Modified Business Tax Incentives. **Nevada** imposes a modified business tax on each employer at the rate of 1.17 percent of wages over $62,500 per quarter. Qualifying employers may apply for a startup abatement of 50 percent of the tax during the first four years of their operations. To qualify for the abatement, an employer is required to provide a medical insurance plan, including an option for dependent coverage, for all employees and pay at least 25 percent of the employee premium cost. In addition, the qualifying employer must meet two of three requirements relating to 1) wages paid, 2) jobs created, or 3) capital investment.

Ohio Commercial Activity Tax Incentives. **Ohio** imposes the Commercial Activity Tax (CAT), a gross receipts tax, rather than a corporate income tax. The few incentives or credits offered are those common to income taxing states, and include credits for jobs, motion pictures and research and development activities, and certain distribution centers.

The **Ohio** *Job Creation Tax Credit Program* provides a refundable tax credit based on new jobs created and investment in the state. Businesses must specifically apply for the credit and the terms and amount of the tax credit are set by the **Ohio** Tax Credit Authority. The tax credit can be for up to 75 percent of the income taxes withheld from the new employees for up to 15 years. The percentage of withholdings and the length of the credit are based upon: the number of jobs to be created, the new payroll to be generated, the fixed asset investment in the project, and the extent of interstate competition for the project. There are minimum thresholds for the number of new jobs established and levels of wages paid.

The **Ohio** *Research and Development Investment Tax Credit* is a nonrefundable tax credit that equals 7 percent of the amount of qualified research expense in excess of the business' average investment in qualified research expenses in the three prior years. Any unused credit may be carried forward for up to 7 years.

Washington Business & Occupation Tax Incentives. **Washington's** main business tax is the Business and Occupation (B&O) Tax (a gross receipts tax) and it contains numerous incentives, including those for new jobs and training and for the aerospace and motion picture industries.

The *Rural County Business and Occupation Tax Credit for New Employees* provides a B&O credit ranging from $2,000 to $4,000 for each new job created by a qualified business located in a rural county or "community empowerment zone." A "qualified business" includes one engaged in manufacturing or research and development activities that either creates a new workforce or expands its existing workforce by 15 percent. A qualified business located in a Community Empowerment Zone is eligible for the credit for only those new employees that also reside in the zone.

The B&O tax contains several incentives for the aerospace industry including a 40 percent reduced rate for manufacturers and certain other businesses engaged in aerospace product development. In addition, qualified businesses may be eligible for:

1. B&O tax credits equal to the property tax paid on certain real property and equipment and
2. credits equal to 1.5 percent of qualified preproduction development expenditures related to manufacturing commercial airplanes or components of commercial airplanes.

Severance Taxes. Eighteen states offer oil and/or gas severance tax incentives that include reduced rates or exemptions for certain oil and/or natural gas production, usually to encourage continued or enhanced production. Common incentives apply to production from stripper wells (low production), previously inactive wells, wells that have been subjected to enhanced recovery techniques, new discovery wells and high-cost gas wells.

Financial (direct and indirect) Incentives in the States

In addition to tax-related incentives, every state has programs that offer financial incentives, both directly and indirectly, in the form of grants and financing mechanisms. The provision of services is another form of indirect financial assistance, available in over half the states. As with the tax-related incentives, the primary goals of these programs are the retention and/or training of the existing workforce, the creation of new jobs and the encouragement of new investments in equipment and facilities.

Section E: Grants

Grants are payments made by a governmental entity to a business that agrees to do things such as create a certain number of jobs, provide training to its workforce, or invest in equipment or facilities. In addition to business grants, many states provide grants to regional economic development entities or local governments to assist in providing infrastructure or additional funds for use in furthering the economic development goals of the state. Grant programs typically include an application and approval process, with governments having great discretion as to the award and its amount. Unlike loans, the grants do not have to be repaid, though most are subject to "claw-back" provisions that authorize the state to recoup the award if certain project goals are not by the grant recipient.

While the goal of grant programs is often narrow—jobs and investments—the types of grants offered are broad. For example, the movie/film industry, a common benefactor of tax-related incentives, is also a frequent recipient of cash rebates (grants) of a percentage of the eligible production related expenses and/or wages. These types of grants can be found in at least 13 states and in some instances they can be in addition to the tax incentives received.

Over 20 states have grant programs aimed at assisting in the development of new technologies and products and moving these new discoveries from the research and development stage to the commercially viable stage. These grants may be paid directly to a business or, in some instances, to universities that have partnered with the business.

Programs offering workforce grants are common across the states and typically reimburse a business for funds expended for workforce training, retraining or apprenticeships. Such programs can be found in over 38 of the states.

At least 40 states target infrastructure and/or site development with grants paid directly to businesses or to local governments providing infrastructure for the project, such as street or utility improvements (water, electric or sewer). Other grants may provide for improvements to ports or rail extensions that will benefit a specific project or business in general.

Post-Performance Grant Programs. Post-performance grants make payments or rebates to businesses after-the-fact based on actual activity related to jobs creation and/or wages paid or new investments in equipment or facilities. These post-performance based grants can be found in at least 12 states.

The *Arkansas Create Rebate* program is a discretionary program that state officials may utilize in highly competitive cases. It offers annual payments based on a business' payroll for new, full-time permanent employees, ranging from 3.9 to 5 percent depending upon the location of the new employees. The *Create Rebate* incentive is available only to businesses in certain industries that meet a minimum annual payroll requirement of $2 million for the new, full-time permanent employees.

The $2 million annual payroll threshold must be met within 24 months and verified by the state before the benefit may be claimed.

Louisiana has three cash payment incentive programs: *Competitive Projects Payroll Incentive, Corporate Headquarters Relocation* and *Quality Jobs Program*. The Competitive Projects Payroll Incentive is available to only specified types of businesses that will make at least 50 percent of their sales out-of-state and provide a basic health benefits plan to their employees. The potential payroll rebate varies from 11 percent to 15 percent depending upon the type of business and may last for up to 10 years. The *Corporate Headquarters Relocation* program provides a 25 percent rebate of relocation costs. A qualifying business must enter into an agreement with the state that specifies the maximum amount of qualifying relocation costs and the number of new headquarters jobs to be created and the associated payroll. The business must create a minimum of 25 new headquarters jobs. The benefit is paid out in equal installments over a 5-year period. The *Quality Jobs* program provides a cash rebate of 5 or 6 percent of the annual gross payroll for the new direct jobs for up to 10 years. The program is available to businesses in specified industries that meet certain out-of-state sales thresholds or locate in certain areas of the state. The qualified business must create a minimum of 5 new jobs that meet a minimum wage threshold and are provided basic health care benefits.

The **Minnesota** *Job Creation Fund* provides incentives to certain new or expanding businesses that meet job creation and capital investment thresholds. To qualify, businesses must be engaged in manufacturing, warehousing, distribution, technology-related industries or other eligible activities. The qualifying business must invest at least $500,000 in real property improvements within one year of entering the program, create at least 10 net new full-time permanent jobs within two years of entering the program, and pay wages and provide benefits that meet minimum thresholds. Competition for the project must be interstate in nature. Qualifying businesses must enter into an agreement with the state. Once the terms of the agreement are met and proof of performance is provided, the business may receive: 1) from $1,000 to $3,000 per job created depending upon the annual wages paid, 2) up to a 5 percent rebate of real property improvements for businesses located in the Twin Cities Metro and 3) up to a 7.5 percent rebate of real property improvements for businesses located in Greater **Minnesota**.

Oklahoma has several job programs that provide a cash rebate based upon a percentage of the payroll paid to new employees. The *Quality Jobs Program* provides a cash rebate of up to 5 percent of the new payroll for up to 10 years. To qualify, a business must be engaged in a qualifying industry that creates enough new jobs within 3 years sufficient to achieve at least a $2.5 million annual payroll. The business must also pay wages that meet the lower of the average county wage or state threshold wage and pay for at least 50 percent of the provided healthcare benefits. An enhanced benefit (up to 6 percent of new payroll) is available for business with qualified military veterans comprising at least 10 percent of the new payroll. The state also has two additional programs that are variations of the *Quality Jobs Program.*

Oklahoma's *Small Employer Quality Jobs Program* is available to qualifying small businesses and provides a cash rebate of up to 5 percent of new payroll for up to 7 years. To qualify, a business can have no more than 90 employees, have averaged no more than 90 employees over the past year, pay a wage that is at least 110 percent of the average county wage and pay for at least 50 percent of the provided healthcare benefits. In addition, at least 75 percent of the small business' sales must be out-of-state sales and it must be engaged in one of the specified industries.

The **Oklahoma** *21st Century Quality Jobs Program* targets businesses engaged in knowledge-based service industries, including professional, scientific and technical services, music, film and performing arts, and specialty hospitals as well as other specified industries. Qualifying businesses may be eligible for a cash rebate of up to 10 percent of new payroll for up to 10 years. The business must create at least 10 new full-time jobs, pay a wage that is at least the lessor of $94,000 or 300 percent of the average county wage and pay for at least 50 percent of the provided healthcare benefits. At least 50 percent of the qualifying business' sales must be out-of-state sales.

Highly Competitive Projects. A number of states have incentives designed to assist in "closing the deal" with businesses considering a new investment project within their borders (such as the *Texas Enterprise Fund*). These programs are different from the post-performance grant programs in that the amount of these discretionary grants may not be determined by a specified percentage or amount per job but are determined by state officials based on criteria or guidelines related to the economic impact of the project. **Florida**, **North Carolina**, **New York** and **Oklahoma** have instructive examples of these types of grant programs.

The **Florida** *High Impact Performance Incentive* (HIPI) grant program is a negotiated grant used to attract or expand major high impact facilities in the state. To qualify a business must be engaged in a high impact sector designated by the **Florida** Department of Economic Opportunity, create at least 50 new full-time jobs and make a cumulative investment of at least $50 million. If the project is a research and development facility, the job threshold is lowered to at least 25 jobs and the investment threshold is reduced to at least $25 million. The job and investment thresholds must be met within 3 years. The amount of the grant is discretionary and is negotiated, but the authorizing statute provides broad guidelines based on employment and investments. For example, the statute provides that a qualified high-impact business making a cumulative investment of $800 million and creating 800 new jobs may be eligible for a grant of up to $12 million. Once the negotiated agreement is approved, 50 percent of the HIPI grant is awarded and the remainder of the grant is paid once the full employment and capital investment goals are met.

New York's *JOBS Now* program provides grants for major new businesses locating in the state or for major business expansion projects. The *JOBS Now* program primarily targets projects that will create a minimum of 300 new full-time jobs. Grants of up to $1.5 million may be used for site development, machinery and equipment and inventory.

The **North Carolina** *Job Maintenance and Capital Development Fund* (JMAC) is intended to encourage the retention of large numbers of high-paying jobs and incentivize large-scale investment to modernize processes and facilities. The JMAC grant is discretionary and provides annual payments to businesses that qualify as a Major Employer or a Large Manufacturing Employer. The grants can be made for a term of up to 10 years and are based on the amounts a grantee pays in certain taxes related to the purchase and placement of new project machinery, equipment and building materials, amounts paid for worker training and state permitting fees paid for the expansion. The program is limited to five total grants and the annual payments are subject to appropriation. *One **North Carolina** Fund* is another grant program that targets companies contemplating new operations or expansions in the state. The project must be in competition with a location in another state. Companies that are awarded a grant may use the funds for the purchase and installation of equipment, structural repairs, improvements or renovations of existing facilities and improvement or construction of necessary utility services.

Oklahoma's *Quick Action Closing Fund* is available to the Governor when the expenditure of funds is likely to be a determining factor in a "high impact" business' decision to locate in the state. The fund can be used to retain or recruit a high-impact business project or facility. Applications are accepted when funds have been appropriated by the **Oklahoma** Legislature.

Section F: Financing Tools

Financing tools are government sponsored programs that are intended to provide access to, or reduce the cost of, capital. They include direct or subsidized loans, loan guarantees, bond financing and equity investment in businesses that meet specified qualifications. Virtually every state has at least one program that would qualify as a "financing tool." For example, every state has an industrial revenue bond program that can be used to assist businesses with financing of major facilities or infrastructure.

Nearly all states have programs that offer direct loans or subsidized loans that typically target small or economically-disadvantaged businesses. A number of these loan programs tend to be related to specific industries deemed to be of particular importance. For example, states with significant agrarian areas tend to have loan programs to benefit farming operations. **Alaska** offers several loan programs intended to assist commercial fishing operations.

In addition to the loan programs, a significant number of states provide programs to assist businesses with getting loans. These programs include loan guarantees, loan insurance, collateral support and interest reduction. Linked deposit programs are also used in many states to assist select businesses in accessing financing that might not otherwise be available to them.

Another financing tool offered in almost three-quarters of the states is equity investment programs. These programs tend to be designed to invest in the early stages of a business in a select industry considered to be of high impact or value. Many states operate quasi-governmental venture capital funds or invest through venture capital funds.

Section G: Provision of Services

Provision of service programs are those through which the government conducts activities directly for the benefit of or on behalf of businesses. These types of programs can be found in at least 29 states (though these and other states often may simply make a specific appropriation to an existing state agency in support of a project's needs). The majority of these states (at least 20) have programs that provide training services for businesses; more specifically they provide training to the businesses' workforces. Training is often provided through specialized community college programs specific to the needs of a particular business or industry.

Other services provided by a handful of states include consulting services for business management, export assistance, or efficiencies in business operations. Some states also offer employment type services such as employee screening. Another type of incentive offered by several states are programs that assist projects by streamlining the permitting processes in place at the state's various regulatory agencies.

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Part 5: A Listing of Economic Incentive Programs Across the 50 States

This section presents a compendium of economic incentive programs across the states. It should be noted that differences in tax structures, definitional differences, programs that cross categories, on-going legislative and programmatic changes and other deviations make the compilation of an exhaustive list prohibitive. Further, the mere presence of certain programs does not necessarily put a state "ahead of the game," especially if the underlying tax system or other factors within the state are unattractive. At best, this section offers insight as to the prevalence of programs and what states may offer.

Section A: Property Tax

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
Alabama				
• Brownfield Development Tax Abatements for non-educational state, city and county property taxes for up to 20 years • Data Processing Center Property Tax Abatements up to 30 years • Local, except for schools, property tax abatements up to 15 years	• Inventory tax exemption • Raw materials/finished product exemption • Air and water pollution control • Freeport exemption			• Tax increment financing by counties and cities • Major 21st Century Manufacturing Zone Act - Tax increment financing program
Alaska				
• Property tax abatement at the discretion of local government for up to 5 years	• Local option to exempt inventory and business personal property			• Tax increment financing
Arizona				
• Foreign Trade Zone (FTZ) state and local property tax abatements • Government Property Lease Excise Tax Program • Enterprise Zones - up to 80% property tax reductions for 5 years • Property tax abatements by cities and counties for up to 10 years	• Business inventory exempt • Freeport exemption • Partial exemption for business personal property		• Arizona Statutory Additional Depreciation Program • Healthy Forest Incentives Program • Military Reuse Zone Program • Renewable Energy Tax Incentives Program	
Arkansas				
• Property Tax Abatement for certain manufacturers for new property for up to 10 years • Payments-in-lieu-of property taxes may be negotiated for real and personal property financed by revenue	• Freeport exemption			• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
bonds and general obligation bonds				
California				
• Property Tax abatements by local jurisdictions for qualified manufacturing or research and development facility that meets required investments	• Business inventory exempt • Freeport exemption			• Tax increment financing
Colorado				
	• Business inventory exempt • Freeport exemption	• City, county and special district Incentive payment or tax credit based on increased property taxes for qualifying new business activity, up to 50% up to 10 years • City, county and special district located in Enterprise Zone Incentive payment or tax credit based on increased property taxes for qualifying new business activity, up to 100% of incremental increase		• Tax increment financing
Connecticut				
• Enterprise Zone Program - 5 year abatement • Entertainment District • First Five program • Real & personal property tax Exemptions (2 to 7 years, depending on the items and their use) • Targeted Investment Community (TIC) Benefits • Urban Jobs Program	• Real & Personal Property Tax Exemptions (100% for inventories; 100% for certain unbundled software, machinery & equipment)	• Grants for “brownfield” redevelopment		• Tax increment financing
Delaware				
• Property tax abatements varying by city or county where property is located	• Inventories and personal property exempt			• Tax increment financing
Florida				
• Property tax abatements for economic development for city and county taxes for up to 10 years	• Business inventory exempt • Freeport exemption	• Brownfield Redevelopment Bonus Fund • Qualified Defense and Space		• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
		Contractor Tax Refund (QDSC) • Qualified Target Industry Tax Refund Program (QTI)		
Georgia				
• Enterprise Zone Program - property tax abatement graduated over 10 year period • Property tax abatements through industrial revenue bond financing	• Business inventory exempt • Freeport exemption		• State Preferential Property Tax Assessment Program for Rehabilitated Historic Property	• Tax increment financing
Hawaii				
• Discretionary property tax abatements by local taxing jurisdiction	• All personal property exempt			• Tax increment financing
Idaho				
• Property tax exemption - up to 5 year abatement for new manufacturing facility if $3 million is invested • Small Employer Growth Incentive Exemption - counties may exempt all or part of new investment value for a determined period of time • Business Advantage - up to 5 year Property Tax exemption (county discretion)	• $100,000 Personal property tax exemption • 100% Goods in Transit tax exemption • 100% Business inventory exemption • 100% Required Pollution Control Equipment			• Tax increment financing
Illinois				
• Enterprise Zone Program • River Edge Redevelopment Program • Property tax abatements available at the discretion of any taxing district	• All tangible personal property exempt			• Tax increment financing District
Indiana				
• Property tax abatements available at the discretion of municipalities • Property tax abatements from county or city with $10 million investment for enterprise information technology equipment in high technology district • Property tax abatements for qualified investments in economic revitalization areas, enterprise zones and maritime opportunity districts for up to 10 years	• Business inventory exempt • Enterprise Zone Program - Inventory Tax Credit • Freeport exemption		• Enterprise Zone Program - Property Tax Investment Deduction	• Certified Technology Parks (CTP) • Tax increment financing (TIF)

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
Iowa				
• Enterprise Zones property tax abatements • High Quality Job Creation Program • Property tax abatements available at the discretion of municipalities and counties	• Iowa Pollution Control and Recycling Exemption • Tangible personal property is exempt			• Tax increment financing
Kansas				
• Industrial Revenue Bonds Property Tax Exemption • Property tax abatements for economic development purposes • Property tax exemptions for construction or expansion of electricity generating facilities for 4 to 12 years • Property tax abatements at the discretion of city or counties for up to 10 years	• Commercial and industrial machinery • Business aircraft • Hand tools • Farm machinery and equipment • Freeport Exemption • Machinery, equipment, materials, and supplies • Merchants' and manufacturers' inventory • Electric power and renewable energy generators • Railroad machinery and equipment tax exemption • Telecommunication machinery and equipment tax exemption • Waste heat utilization system			• Tax increment financing
Kentucky				
• Property tax abatements for local property taxes	• Property tax exemptions for local property taxes • Manufacturing equipment exempt from local taxes • Freeport exemption for local taxes		• Clean Coal Incentive Tax Credit • Special property tax rates for state property taxes	• Tax increment financing
Louisiana				
• Industrial tax exemption program (up to 10 years) • Restoration tax abatement, up to 5 years • New or expanded manufacturing establishments for up to 10 years • Improvements or development of structure in downtown or economic development districts for up to 10 years	• Freeport Exemption			• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
Maine				
	• Business Equipment Tax Exemption (BETE) (local property taxes) • Business inventories exempt • Freeport Exemption	• Business equipment tax reimbursement		• Municipal tax increment financing (TIF) (municipality may fund a portion of project improvements or return a percentage of tax revenues to company to offset costs of development)
Maryland				
• Property tax abatements available at the discretion of municipalities and counties	• Tangible personal property exempt from state tax • Inventory exempt in most counties • Inventory exemption at discretion of cities	• Tax credit for businesses that create new jobs • Enterprise Zone tax credit		• Tax increment financing
Massachusetts				
• Economic Development Incentive Program (EDIP) (local property tax abatement)	• Business inventory exempt • Freeport exemption			• Economic Development Incentive Program (EDIP) (TIFs)
Michigan				
• Property Tax Abatements in Enterprise Zones available at the discretion of cities • Renaissance Zones for agricultural processing, forest products processing, renewable energy, tool & die recovery, • Michigan Strategic Fund Renaissance Zone Property Tax Abatements for up to 15 years	• Business inventory exempt • Freeport exemption			• Tax increment financing
Minnesota				
• Border Cities Enterprise Zone Program (local property tax abatement) • Property tax abatements at the discretion of counties, cities and school districts for up to 15 years	• Personal property exempt (includes business inventory) • Data Center Incentive • Job Opportunity Building Zones (JOBZ) (improvements, not land) • Pollution Control Tax Exemption	• Border Cities Enterprise Zone Program (state-paid property tax credit)		• Tax increment financing
Mississippi				
• Growth and Prosperity Area property tax exemption for cities and	• Property Tax Exemption on In-State			• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
counties up to 10 years or December 31, 2022 whichever occurs first. • Industrial Property Tax Exemption (local except for school districts) for up to 10 years, enhanced benefits if new value exceeds$100 million • Mississippi Health Care Industry Zone Incentive Program (city and county property tax "fee in lieu") • Broadband Technology for 10 years available for property placed in service between July 1, 2003 and June 30, 2020. • Property tax exemption for Industrial Revenue Bond Financing (local except for school districts) • Property Tax Abatement programs by cities and counties for specific industries or based on specific investment or job targets	Inventory (local except for school districts) • Mississippi Rural Economic Development Assistance Program (city and county) • Freeport exemption			
Missouri				
• Chapter 100 Tax Abatement for city property tax • Chapter 353 Tax Abatement - city property tax abatement up to 25 years, 100% for first 10 years and 50% for remaining years • Enhanced Enterprise Zone District Tax Abatement Program • Industrial Development Bonds	• Business inventory exempt • Freeport Exemption	• MORESA (Missouri Rural Economic Stimulus Act)(100% of new real property tax created by project diverted to fund construction of eligible public infrastructure)		• State Supplemental Tax increment financing • Tax increment finance (local property and sales taxes and applicable local income taxes)
Montana				
• New or expanded Industries Property Tax Abatement of 50% for first 5 years, increasing by 10% per year until 10th year • Property Tax abatement for facilities in Energy production or development including clean advanced coal research of 50% of the	• Business inventory exempt • Freeport exemption • Business equipment with aggregate value of less than $20,000 • Machinery and equipment used in canola seed processing facility or malting barley facility		• Reduced valuation for remodeling of building or structures for up to 5 years	• Tax increment financing Districts

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
taxable value for up to 19 years.	• Industrial parks if approved by local governing bodies			
Nebraska				
• Employment and Investment Growth Act (personal property only) • Nebraska Advantage Act (personal property only)	• Business inventory exempt • Certain Data Center personal property • Freeport exemption	• Municipalities may appropriate local tax dollars (sales and/or property taxes) for economic development purposes		• Tax increment financing
Nevada				
• Green Building Partial Property Tax Abatement • Intellectual Property Development (personal property tax) • Personal Property Tax Abatement (new or expanding business up to 50% for up to 10 years) • Real Property Tax Abatement for Recycling (real and personal property abatement up to 50% for up to 10 years) • Property Tax abatement by city or county for new business in an underutilized business zone or enterprise community	• Business inventory exempt • Freeport exemption			• Tax increment financing
New Hampshire				
• Commercial and industrial construction exemption at discretion of municipality for up to 10 years	• Most tangible personal property exempt			• Municipal Economic Development and Revitalization Districts TIFs
New Jersey				
• Five-Year Exemption and Abatement Law (municipal property taxes)	• Environmental Opportunity Zones • Exemption for equipment for abating or preventing pollution • Exemption for property certified as renewable energy system • Business inventory exempt • Freeport exemption			• Economic Development & Growth Grant - Tax increment financing providing partial rebate of property taxes
New Mexico				
• Industrial Revenue Bonds (abatements ranging from 50% to 95% for 20 to 30 years) • New business locations and expansions property	• Business inventories exempt • Property-in-transit exemption			• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
tax abatements at discretion of cities and counties for up to 20 years				
New York				
• Real Property Tax Abatement in New York City (exemption amounts and terms vary by area and type of business facility) • Real Property Tax Abatement (50% for 1st year declining by 5% over 9 year period for new improvements) (outside of New York City)	• Personal property tax exemption • Economic Transformation Program			• Local Tax increment financing
North Carolina				
	• Business inventory exempt • Freeport exemption	• Job Maintenance and Capital Development Fund (JMAC) Grants (requires local governments to provide a tax credit of 50% of incremental additional taxes lasting 5 to 10 years) • Property tax abatement (achieved through tax credits equal to set percentages of incremental additional taxes)	• Solar energy device eligible for 80 percent value reduction	• Tax increment financing
North Dakota				
• Coal Conversion Facility Privilege tax exemptions (monthly payment in lieu of property taxes on the improvements to the land) • 5 year property tax exemption for new or expanding business project certified as a primary sector business • Renaissance Zones (5-year property tax exemption)	• In-lieu tax for company engaged in generation, distribution, or transmission of electricity replaces property tax • Personal property exempt except that of certain oil and gas refineries and utilities		• Wind Turbine Electric Generation Property Tax Reduction • Negotiated agreement between local government and business for payments in lieu of property tax for up to 20 years	• Tax increment financing
Ohio				
• Community Reinvestment Areas (CRA) • Community Urban Redevelopment	• Tangible personal property exempt • Qualified Energy Project Tax Exemption			• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
Corporation Abatements (in lieu payments) • Enterprise Zone Program (property tax exemption for percentage of the value of new investments for 10 years or 15 years)				
Oklahoma				
• Five Year Ad Valorem Tax Exemption (available to certain new and expanding manufacturers, research and development companies, certain computer services and data processing companies with significant out of state sales, aircraft repair companies, oil refineries and certain wind power generators) • Five Year Property Tax Exemption in Incentive Districts (local taxing entities designate the incentive districts in the community) • Enterprise Zone (enhanced Incentive District benefits)	• Freeport Exemption			• Tax increment financing
Oregon				
• Construction in Progress Enterprise Zone Tax Exemption (up to 2 years) • Cancellation of Assessment on Commercial Facilities Under Construction (up to 2 years for manufacturers) • Enterprise Zones - 3 to 5 year property tax abatement • Electronic Commerce Enterprise Zones- 3 to 5 year property tax abatement • Long-term Rural Enterprise Zone Facilities - up to 15 year property tax abatement • Rural Renewable Energy Development Zones (3 to 5 year property tax abatement for qualifying property)	• Business inventory exempt • Goods-in-transit exempt			• Tax increment financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
• Strategic Investment Program - 15 year property tax abatement				
Pennsylvania				
• Keystone Opportunity Zone Program (KOZ) • Property tax abatement for personal property at the discretion of cities for up to 15 years	• Personal property exempt for state and county taxes			• Tax increment financing • Tax Increment Financing Guarantee Program
Rhode Island				
• Exemption, by city or town ordinance, of office equipment used for manufacturing or commercial purposes up to 25 years • Economic Development Tax Incentive Program - up to 5 years, provided by city or town ordinance	• Manufacturer's inventory • Optional exemption for manufacturing machinery and equipment purchased after July 1, 1997 (must be adopted by local city or town council) • Retail and Wholesale inventory exempt			• Tax increment financing
South Carolina				
• 5-year Manufacturing Exemption from county and/or city property taxes for all new manufacturing establishments and all additions of $50,000 or more to existing manufacturing facilities • 5-year R&D Exemption from county and/or city property taxes for all new enterprises engaged in research and development activities and all additions valued at $50,000 or more to existing facilities of enterprise • 8 year or less Retail Facility Revitalization Credit (taxpayer must elect either income or property tax credit) • Fee-in-Lieu of Property Taxes - discretion of county for up to 30 years adjusted every 5 years • Textile Revitalization Credit based upon abandoned textile mill rehabilitation expansions, if approved by city and/or county ordinance (taxpayer must elect	• Business inventory exempt • Exemption for personal property in transit			• Tax increment financing Act

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
either income or property tax credit)				
South Dakota				
• 5-year property tax abatements, at the discretion of County commissions, for property tax on new structures or additions to existing structures.	• Personal property exempt			• Tax increment financing Program
Tennessee				
• PILOT Program - Payment-in-Lieu- of-Tax, partial abatement on new investment (city and county)	• Business inventory exempt • Goods-in-transit exempt • Wind Energy Systems Exemption			• Tax increment financing
Texas				
• Chapter 381 (counties) Development Agreements (property tax abatements) • Chapter 313 Texas Economic Development Act (Reinvestment Zones), property tax abatement for schools for 10 years • Defense Economic Readjustment Zone Program • NAFTA Impact Zones - property tax abatement of city taxes for up to 10 years • Neighborhood Empowerment Zones - property tax abatement of city taxes for up to 10 years • Reinvestment Zone - Property Tax Abatements for local governments, except for schools, for up to 10 years • Enterprise Zone - Property Tax Abatements for local governments, except for schools, for up to 10 years	• Freeport exemption • Goods-in-transit exemption		• Reinvestment Zone - value limitations	• Defense Economic Readjustment Zone Program - TIFs • Reinvestment Zone - TIFs • Enterprise Zone - TIFs
Utah				
• Property tax abatements at the discretion of cities for new development in Redevelopment Agency/Economic Development Agency (RDA/EDA) district	• Business inventory exempt • Freeport exemption			• Tax increment financing by cities and counties for companies locating in Economic Development Areas, Urban

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
				Renewal Areas, or Community Development Areas rebate a percentage of new increment revenue
Vermont				
• Property Tax Stabilization Agreements - abate state and local property taxes for up to 10 years	• Local option exemption for business personal property • Local option exemption for inventories			• Tax increment financing Districts (TIF) (may provide incentives) (no new districts can be created due to statutory cap)
Virginia				
• Technology Zones - cities and counties provide local tax incentives for up to 10 years, such as real property and business personal property tax abatements • Virginia Enterprise Zone (VEZ) Program - Property Tax abatements: local governments may authorize an abatement of the increased value due to the rehabilitation of real estate for structures of at least 15 years of age. • Property Tax Abatements - Local governments may authorize an abatement of the increased value due to the rehabilitation of real estate for structures of at least 20 years of age.	• Manufacturers' inventory and manufacturers' furniture and fixtures are exempt • Freeport exemption in Foreign Trade Zones		• Local governments may elect to tax certain tangible personal and real property at reduced rates	• Tax increment financing
Washington				
• Property Tax Abatements - Local governments may authorize an abatement of the increased value due to the rehabilitation of historic structure • Property Tax Abatements - Local governments may authorize an abatement for certain multi-family units	• Business inventory exempt • custom and canned computer software exemption • Property/Leasehold Tax Exemption for Manufacturers of Biodiesel/Alcohol Fuel (expires December 31, 2015) • Proportional exemption to account for property-in-transit			• Tax increment financing Programs - Community Revitalization Financing • Tax increment financing Programs - Local Revitalization Financing Program • Tax increment financing Programs - Local Infrastructure Project Area Financing

Property Tax				
Abatement	**Exemption**	**Refund/ Credit**	**Reduced Valuation or Rate**	**Tax increment financing**
West Virginia				
• Five for Ten Program - Property tax abatement that values new capital additions by certain manufacturers and fractionator plants at 5% of cost for 10 years • Five for Twenty-five Program - Property Tax abatement that values new capital additions by certain facilities with an original cost in excess of $2 billion and classified as fractionating plants and secondary plants at 5% of cost for 25 years • Property tax abatements available at the local governments' discretion	• Freeport exemption		• Reduced valuation for aircraft • High-Technology Business Property Valuation Act - personal property, including servers, directly used in a high technology business or internet advertising business is valued at 5% of original cost	• Tax increment financing Program
Wisconsin				
	• Business inventory exempt • Certain computer equipment exempt • Machinery and Equipment used for manufacturing exempt • Solar and Wind Energy Equipment Exemption			• Tax Incremental Financing
Wyoming				
	• Business inventory exempt • Freeport Exemption			• Tax Incremental Financing

Section B: Sales, Income and Other State Taxes

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
Alabama		
• Brownfield Development Tax Abatements local sales and use taxes • Entertainment industry incentive • Sales tax Abatement for data processing centers • Enterprise Zone Program • Pollution Control Equipment • Tax Incentive Reform Act of 1992 - abatement of state and local sales and use taxes up to 10 years	• Air Carrier Hub Operation Equipment Business Privilege Tax Deduction • Coal Production tax credit • Enterprise Zone Program • Entertainment Industry Incentive • Full Employment Act of 2011 • Heroes for Hire Income Tax Credit • Income Tax Capital Credit • Income Tax Education Credit • Made in Alabama Job Incentives Act • State Docks Capital Credit	• Certified Capital Company Program (CAPCO) • Utility Gross Receipts Tax Exclusion
Alaska		
	• Film Production Incentive Program	• Film Production Incentive Program

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
		• Oil and Gas Production Tax - Qualified capital expenditure credit • Oil and Gas Production Tax - Well Lease Expenditures credit • Oil and Gas Production Tax - New Area Development credit • Oil and Gas Production Tax - Small Producer credit • Oil and Gas Production Tax - Per-taxable-barrel credit • Oil and Gas Production Tax - Alternative Tax Credit for Exploration • Oil and Gas Production Tax - Cook Inlet jack-up rig credit • Oil and Gas Production Tax - Frontier Basin credit
Arizona		
• Computer Data Center Program • Healthy Forest Incentives Program • Military Reuse Zone Program • Research and Development exemption	• Angel Investment • Commercial and Industrial Solar Energy Tax Credit Program • Enterprise Zones - income tax credit for new jobs • Healthy Forest Incentives Program • Military Reuse Zone Program • Pollution Control Tax Credit • Qualified Facility Tax Credit • Quality Jobs Tax Credit • Renewable Energy Investment and Production for Self-Consumption by Manufacturers Tax Credit • Renewable Energy Tax Incentives Program • Research and Development Income Tax Credit • Solar Liquid Fuel Tax Credit	• Enterprise Zones - income tax credit for new jobs • Health Insurance Premium Tax Credit • Military Reuse Zone Program • Quality Jobs Tax Credit
Arkansas		
• Arkansas Tourism Development Act • InvestArk (Sales and Use Tax Credit) • Non-Profit Incentive Act of 2005 (amended 2009) • Targeted Businesses Incentives • Tax Back - Sales and Use Tax Refund	• Advantage Arkansas (Income Tax Credit) • Ark Plus Investment Income Tax Credits • Arkansas Tourism Development Act • Biodiesel Incentive Act • Capital Development Company Income Tax Credit • Coal Mining Income Tax Credit • Delta Geotourism Incentive • Equity Investment Tax Credit • Existing Workforce Training Program (EWTP) • Private Wetland/Riparian Zone Creation and Restoration Incentive • Recycling Equipment Tax Credit • Research and Development Tax Credits • Research Park Authority • Targeted Businesses Incentives • Tuition Reimbursement Tax Credit Program • Water Resource Conservation and Development Incentives	• Natural Gas Severance Tax - reduced tax rates for new discovery, marginal and high-cost gas

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Youth Apprenticeship Training Program • Youth Apprenticeship/Work-Based Learning Program	
California		
• Film and TV Production Tax Credit • Research and Development equipment exemption	• California Competes Tax Credit • Film and TV Production Tax Credit • Net Operating Loss Carryover • New Employment Credit • Research and Development Tax Credit	
Colorado		
• Biotechnology Sales and Use Tax Refund • Enterprise Zone Tax Credit: Manufacturing & Mining Sales And Use Tax	• Child Care Facilities Investment Credit • Colorado Aircraft Manufacturer New Employee Tax Credit • Colorado Works Program Credit • Enterprise Zone Tax Credit: Investment Tax Credit, Commercial Vehicle Investment Tax Credit, Job Training Tax Credit, New Business Facility (NBF) Jobs Credit, NBF Ag. Processing Jobs Credit, NBF Health Insurance Credit, R&D Increase Tax Credit, Vacant Building Rehabilitation Tax Credit • Job Growth Incentive Tax Credit	
Connecticut		
• Construction materials, furniture, fixtures, and equipment may be abated for projects with high levels of capital expenditures or job creation • Sales and use tax exemption for audio or video production • Sales and use tax relief on the purchase of tangible personal property for qualifying retention and expansion projects or projects that significantly contribute to a targeted industry cluster. The minimum investment in eligible property must equal $5 million and a total award must not exceed $10,000 per new job created and $2,000 for each retained position	• Angel Investor Tax Credit Program • Connecticut Digital Media & Motion Picture Tax Credit • Displaced Worker Credit • Donation of Open Space Land Credit • Electronic Data Processing Equipment Property Tax Credit • Enterprise Zone Program - 10 year tax credit • Entertainment District • First Five Program • Fixed Capital Tax Credit • Hiring Incentive Credit (Formerly Opportunity Certificate Tax Credit Program) • Human Capital Investment Tax Credit • Insurance Reinvestment Fund Credit • Machinery and Equipment Expenditure Credit • Manufacturing Apprenticeship Tax Credit • Manufacturing Reinvestment Account • Neighborhood Assistance Program Credit (REVISED) • Research & Development Tax Credit -- Carry-Forward • Research and Development Tax Credit -- Incremental Expenditures • Research and Development Tax Credit -- Nonincremental Expenditures • Service and Manufacturing Facilities Tax Credit	• Abandoned Brownfield Cleanup (ABC) Program • Displaced Worker Credit • Electronic Data Processing Equipment Property Tax Credit • Enterprise Zone Program • Insurance Reinvestment Fund Credit • Neighborhood Assistance Program Credit (REVISED) • Urban or Industrial Site Reinvestment Credit

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Targeted Investment Community (TIC) Benefits • Traffic Reduction Programs Credit • Urban and Industrial Site Tax Credit Program • Urban or Industrial Site Reinvestment Credit	
Delaware		
	• Business Finder's Fee (BFF) Tax Credit • Job Creation Tax Credit • Clean Energy Technology Device Manufacturers' Tax Credit • New Business Facility Tax Credit • Research and Development Tax Credit	• Business Finder's Fee (BFF) Tax Credit • Job Creation Tax Credit • New Economy Jobs Program Credits (rebate of withholding tax) • Public Utility Tax Rebates for Industrial Users
Florida		
• Semiconductor, Defense, or Space Technology Sales and Use Tax Exemption (SDST) • Brownfield Redevelopment Bonus Fund • Building Materials Sales Tax Exemption and Refund: Rural and Urban Enterprise Zones • Business Equipment Sales Tax Refund: Rural and Urban Enterprise Zones • Community Contribution Tax Credit Program: Rural and Urban Enterprise Zones • Jobs Tax Credit (Sales Tax): Urban Enterprise Zones • Jobs Tax Credit (Sales Tax): Rural Enterprise Zones • Motion Picture sales tax exemption • Qualified Target Industry Tax Refund Program (QTI) • Research and Development Exemption	• Brownfield Redevelopment Bonus Fund • Capital Investment Tax Credit (CITC) • Community Contribution Tax Credit Program: Rural and Urban Enterprise Zones • Enterprise Zone Property Tax Credit • Jobs Tax Credit (Corporate Income Tax): Rural Enterprise Zones • Jobs Tax Credit (Corporate Income Tax): Urban Enterprise Zones • New Markets Development Program • Qualified Target Industry Tax Refund Program (QTI)	• Brownfield Redevelopment Bonus Fund • New Markets Development Program • Oil Production Tax - reduced tax rate for small oil wells and tertiary oil • Qualified Target Industry Tax Refund Program (QTI)
Georgia		
• Computer Hardware and Software for High Technology Companies • Material Handling Equipment for new or expanded distribution or warehouse facility	• Employer's Job Tax Credit • Film, Television and Digital Entertainment Tax Credit • Jobs Tax Credit • Manufacturer's Investment Tax Credit • Mega Project Tax Credit • Optional Investment Tax Credit • Ports Activity Job Tax & Investment Tax Credits • Qualified Investor's Tax Credit (Angel Investor Tax Credit) • Quality Jobs Tax Credit • Research and Development Tax Credit • Retraining Tax Credit • Seed-Capital Fund Credit • State Income Tax Credit Program for Rehabilitated Historic Property • Tax Credit for Adult Basic Skills Education	• Enterprise Zone Program
Hawaii		

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Enterprise Zone Partnership Program (EZ)	• Enterprise Zone Partnership Program (EZ) • Motion Picture, Digital Media, and Production Income Tax Credit • Royalties Tax Exemption	
Idaho		
• Business Advantage - 25% Sales and Use Tax Rebate for taxes paid for any property constructed, located or installed within project site • Tax Reimbursement Incentive	• Business Advantage - 2.5% real property tax credit • 3% Broadband Telecom Income Tax Credit • 3% Investment Tax Credit • Business Advantage - 3.75% Investment Tax Credit • 5% Research and Development Income Tax Credit • New Jobs Income Tax Credit • Tax Reimbursement Incentive	• Tax Reimbursement Incentive
Illinois		
• Enterprise Zone Program • High Impact Business (HIB) • River Edge Redevelopment Program	• Angel Investment Credit Program • Economic Development For a Growing Economy Tax Credit Program (EDGE) • Enterprise Zone Program (ITC) • High Impact Business (HIB) (ITC) • Illinois Film Production Services Tax Credit • Illinois Historic Preservation Tax Credit • Illinois Live Theater Production Tax Credit • New Markets Development Program • River Edge Redevelopment Program	• Enterprise Zone Program • High Impact Business (HIB) • New Markets Development Program • Oil Production Tax - low producing wells exempt and rate reduction for employment of Illinois workers
Indiana		
• Research and Development Exemption	• Coal Combustion Tax Credit • Community Revitalization Enhancement District Tax Credit • Economic Development for a Growing Economy (EDGE) Tax Credit • Enterprise Zone Program • Headquarters Relocation Tax Credit (HRTC) • Hoosier Business Investment (HBI) Tax Credit • Industrial Recovery Tax Credit • Local Option Hiring Incentive (Local Income Taxes) • New Employer Tax Credit • Patent Income Exemption • Research and Development Tax Credit • Venture Capital Investment (VCI) Tax Credit	• Community Revitalization Enhancement District Tax Credit • Enterprise Zone Program • Industrial Recovery Tax Credit
Iowa		
• High Quality Job Creation Program	• Accelerated Career Education (ACE) • Assistive Device Tax Credit • Brownfield/Grayfield Tax Credit Program	• Brownfield/Grayfield Tax Credit Program • Community-Based Seed Capital Funds Tax Credit • Innovation Fund Tax Credit • Qualifying Businesses Tax Credit

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Community-Based Seed Capital Funds Tax Credit • Endow Iowa Tax Credit Program • High Quality Job Creation Program • Innovation Fund Tax Credit • New Jobs Tax Credit • Qualifying Businesses Tax Credit • Renewable Energy Tax Credits • Research Activities Credit • Targeted Jobs Withholding Tax Credit Pilot Program	• Renewable Energy Tax Credits
Kansas		
• High Performance Incentive Program (HPIP) • Sales Tax Exemption for remodeling costs, furnishings, furniture, machinery and equipment for qualified projects • Sales Tax Exemption for real and personal property financed with an Industrial Revenue Bond	• Abandoned Well Plugging Credit • Agritourism Liability Insurance Credit • Alternative Fuel Tax Credit • Carbon Dioxide Capture/Sequestration Tax Deduction • Environmental Compliance Report • Film Production Credit • High Performance Incentive Program (HPIP) • Machinery and Equipment Expensing Deduction • Promoting Employment Across Kansas (PEAK) [retention or rebate of withholding taxes] • Research and Development Credit • State Historic Rehabilitation Tax Credit • Swine Facility Improvement Credit • Telecommunications Credit (for property taxes paid) • Venture Capital Credit • Waste Heat Utilization System	• Oil and Gas Severance Tax - exemptions for gas wells with low value and for low-producing oil wells • State Historic Rehabilitation Tax Credit • Venture Capital Credit
Kentucky		
• Incentives for Energy Independence Act (IEIA) • Kentucky Enterprise Initiative Act (KEIA) (includes exemption for research and development) • Kentucky Tourism Development Act Sales Tax Credit Program	• Clean Coal Incentive Tax Credit • Incentives for Energy Independence Act (IEIA) • Kentucky Environmental Stewardship Act (KESA) • Kentucky Film Incentive • Kentucky Investment Fund Act (KIFA) • Kentucky Reinvestment Act (KRA) • Recycling Equipment Tax Credit • Skills Training Investment Tax Credit (STIC) • Unemployment Tax Credit	• Incentives for Energy Independence Act (IEIA) • Natural Gas Severance Tax - tax credit for recovered inactive well
Louisiana		
• Exemptions for Manufacturing Establishments [new businesses or expanding existing businesses) (Industry Assistance Program) • Industrial Tax Equalization Program • Competitive Projects Payroll Incentive Program (local sales tax) • Enterprise Zone Program • Procurement Processing Company Rebate Program	• Ad Valorem Tax (Inventory Tax) Credit • Angel Investor Tax Credit • Cane River Heritage Tax Credit • Digital Interactive Media and Software Development Incentive • Enterprise Zone Program (job tax credit & investment tax credit) • Exemptions for Manufacturing Establishments [new businesses or	• Exemptions for Manufacturing Establishments [new businesses or expanding existing businesses) (Industry Assistance Program) • Industrial Tax Equalization Program • Oil Severance Tax - reduced rates for incapable, stripper, reclaimed and water-incapable wells • Gas Severance Tax - reduced rate for incapable wells

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Quality Jobs Program • University Research and Development Parks Tax Exemptions	expanding existing businesses) (Industry Assistance Program) • Industrial Tax Equalization Program • Motion Picture Investor Tax Credit • Musical and Theatrical Production Tax • Ports of Louisiana Tax Credit Program • Quality Jobs Program • Research and Development Tax Credits • Retention and Modernization Credit • Technology Commercialization Credit and Jobs Program • University Research and Development Parks Tax Exemptions	• Oil and Gas Severance Tax exemption for new discovery wells • University Research and Development Parks Tax Exemptions
Maine		
• Pine Tree Development Zone (PTDZ) • Research and Development equipment exemption	• High Technology Investment Tax Credit • Jobs and Investment Tax Credit • Pine Tree Development Zone (PTDZ) • Research Expense Tax Credit • Super Research and Development Tax Credit	• Employment Tax Increment Financing (ETIF) • Pine Tree Development Zone (PTDZ)
Maryland		
• Sales and Use Tax Exemption for Film Production • Sales and Use Tax Exemption for Research and Development equipment	• Bio-Heating Oil Tax Credit • Biotechnology Investment Incentive Tax Credit • Businesses That Create New Jobs Tax Credit • Cellulosic Ethanol Technology Research and Development Tax Credit • Clean Energy Incentive Tax Credit • Community Investment Tax Credit • Cybersecurity Investment Incentive Tax Credit • Enterprise Zone Tax Credit • Film Production Activity Tax Credit • HIRE Maryland • Income Tax Credit for Wineries and Vineyards • Job Creation Tax Credit • Maryland Commuter Tax Credit • Maryland Employer Security Clearance Costs Tax Credit • Maryland Mined Coal Tax Credit • One Maryland Tax Credits • Research and Development Tax Credit • Sustainable Communities Tax Credit	• Community Investment Tax Credit • Maryland Commuter Tax Credit
Massachusetts		
• Life Sciences Tax Incentive Program (life science companies deemed R&D corporation for sales tax purposes, exemption for property used in the development of certain facilities and utility systems) • Motion Picture Tax Incentives	• Brownfields Tax Credit Program • Economic Development Incentive Program (EDIP) (investment tax credit) • Investment Tax Credit (ITC) • Life Sciences Tax Incentive Program (investment tax credit, credit for FDA fees, Extension of NOLs, elimination of Throwback, refundable credit, new life sciences research credit, new deduction for qualified clinical testing) • Motion Picture Tax Incentives	

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Research and Development Tax Credit	
Michigan		
• Research and Development activities defined as industrial processing and exempt	• Agricultural Processing Renaissance Zones (exemption from local income taxes if applicable) • Forest Products Processing Renaissance Zones (FPPRZ)(exemption from local income taxes if applicable) • Renewable Energy Renaissance Zones (RERZ)(exemption from local income taxes if applicable) • Tool & Die Recovery Renaissance Zones (exemption from local income taxes if applicable)	• Oil Severance Tax - reduced rate for stripper wells
Minnesota		
• Data Center Incentive • Greater Minnesota Job Expansion Program • Job Opportunity Building Zones (JOBZ) (exemption for goods and services used in the zone)	• Angel Tax Credit • Border Cities Enterprise Zone Program (tax credits for cost of debt financing of new facilities construction, existing and new employees, sales tax on purchased construction materials or equipment and state property tax on certain existing facilities) • Job Opportunity Building Zones (JOBZ) (exemption for corporate franchise tax, income tax, refundable employment tax credit) • MN Historic Structure Rehabilitation State Tax Credit • Research and Development Tax Credit • SEED Capital Investment Credit Program	• Job Opportunity Building Zones (JOBZ)
Mississippi		
• Data Center Incentives • Exemption Related to the Transfer of National/Regional Headquarters • Growth And Prosperity Program (GAP) • Mississippi Aerospace Initiative Incentives Program • Mississippi Clean Energy Initiative Program • Mississippi Health Care Industry Zone Incentive Program • Sales and Use Tax Full or Partial Exemption for Broadband Technology • Sales and Use Tax Full or Partial Exemption for Construction or Expansion for qualifying businesses • Sales and Use Tax Exemption for Industrial Revenue Bond Financing	• Advantage Jobs Incentive Program • Growth And Prosperity Program (GAP) • Jobs Tax Credit • Manufacturing Investment Tax Credit • Mississippi Aerospace Initiative Incentives Program • Mississippi Clean Energy Initiative Program • Mississippi Equity Investment (New Markets) Tax Credit • Mississippi Health Care Industry Zone Incentive Program (accelerated depreciation deduction) • Mississippi Rural Economic Development Assistance Program (debt service credit) • National or Regional Headquarters Credit • Research and Development Skills Credit	• Oil and Gas Privilege Tax - reduced tax rate for production from enhanced oil recovery method • Oil and Gas Privilege Tax - exemptions and reduced tax rates for discovery wells, development wells and 2-year inactive wells
Missouri		
• Downtown Preservation (portion of new sales tax revenue generated by redevelopment project)	• Advantage Missouri Program • Brownfield Redevelopment Program (remediation tax credits) • BUILD (Business Use Incentives for Large-scale Development)	• Brownfield Redevelopment Program (remediation tax credits) • BUILD (Business Use Incentives for Large-scale Development) • Disabled Access Tax Credit (DAC)

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Manufacturing Jobs Program (eligible company may retain withholding taxes certain jobs for a set period of time) • MORESA (Missouri Rural Economic Stimulus Act) (portion of new state and local taxes created by project may be diverted to fund construction of eligible public infrastructure) • Sales Tax Exemption for purchases of TPP purchased through Chapter 100 Bonds	• Disabled Access Tax Credit (DAC) • Missouri Works Program (retention of state withholding tax for the new jobs and/or jobs tax credit) • Neighborhood Assistance Program • Small Business Incubator Tax Credit • Tax Credit For Contribution • Wine and Grape Tax Credit	• Neighborhood Assistance Program
Montana		
	• Alternative Fuel Credit • Biodiesel Blending and Storage Credit • Biodiesel/Biolubricant Production Facilities Credit • Capital Gains and Dividends from Small Business Investment Company Tax Exemption • Contractor's Gross Receipts Tax Credit • Donation of Exploration Information Deduction • Empowerment Zone Tax Credit • Energy Conservation Investments Deduction • Film Employment Production Credit • Film Qualified Expenditures Credit • Historic Buildings Preservation Credit • Infrastructure User Fee Credit • Mineral Exploration Incentive Credit • New/Expanded Industry Credit • Oilseed Crushing Facility Credit • Recycle Credit • Recycle Deduction • Research and Development Firms Tax Exemption (net income earned from R&D activities)	• Empowerment Zone Tax Credit • Oil and Gas Severance Tax: reduced rate for new production, stripper wells, and horizontal wells
Nebraska		
• Municipalities may appropriate local tax dollars (sales and/or property taxes) for economic development purposes • Nebraska Advantage Act	• Angel Investment Tax-Credit • Community Development Assistance Act • Nebraska Advantage Act (wage and investment credits) • Nebraska Advantage Rural Development Act (wage and investment credits)	• Oil and Gas Severance Tax - reduced rate for stripper wells
Nevada		
• Intellectual Property Development (partial abatement) • Sales and Use Tax Abatement (reduced rate for two years for qualifying company on qualifying equipment) • Sales and Use Tax Deferral Program (taxes deferred interest-free for 5-year period for qualified industries for eligible equipment)		• Intellectual Property Development (partial abatement of modified business tax) • Modified Business Tax Abatement (new or expanding businesses apply for 50% abatement for 4 years)
New Hampshire		

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Community Development Investment Program (the Tax Credit Program) • Coos County Job Creation Tax Credit • Economic Revitalization Zone Tax Credits (jobs) • Research and Development Tax Credit	• Community Development Investment Program (the Tax Credit Program)
New Jersey		
• Brownfields and Contaminated Site Remediation Program (75% of costs reimbursed by new sales taxes generated by businesses located on remediated property) • Energy Sales Tax Exemption for Certain Counties (retail sales of electricity and natural gas to manufacturing businesses located in eligible counties) • Sales and Use Tax Exemption Program (STX) (company w/ 1000 or more employees may apply for exemption certificate to make purchases for construction and renovation of a new business location) • Urban Enterprise Zones (UEZ) Tax Exemption (energy exemption for qualified manufacturers and exemption for certain items) • Urban Enterprise Zone Program (UEZ) (business can charge a 3.5% reduced rate)	• Angel Investor Credit • Business Retention and Relocation Assistance Grant (BRRAG) Tax Credit Certificate Transfer Program (phased out • Economic Recovery Tax Credit (jobs) • Effluent Equipment Tax Credit • Grow New Jersey Assistance Program (tax credits for job creation/retention) • Manufacturing Equipment and Employment Investment Tax Credit • Neighborhood Revitalization Tax Credit Program • New Jersey Digital Media Tax Credit Program • New Jobs Investment Tax Credit • Offshore Wind Economic Development Credit • Redevelopment Authority Project Tax Credit (new jobs) • Research and Development Tax Credit • Technology Business Tax Certificate Transfer Program • Urban Enterprise Zone Program (UEZ) (jobs or investment tax credits) • Urban Enterprise Zone Program (UEZ) - Business Employment Incentive Program (50% of state income tax withholdings)	• Business Retention and Relocation Assistance Grant (BRRAG) Tax Credit Certificate Transfer Program • Grow New Jersey Assistance Program (tax credits for job creation/retention) • Urban Enterprise Zone Program (UEZ)(rebated unemployment insurance taxes)
New Mexico		
• Agriculture Business Tax Deductions and Exemptions • Aircraft Maintenance or Remodeling Tax Deduction; • Biomass-Related Equipment Tax Deduction • Financial Management Tax Credit • Industrial Revenue Bonds (initial purchases of equipment made with bond proceeds) • Investment Tax Credit for Manufacturers (requires new employees) • Military Acquisition Program Tax Deduction • Rural Software Gross Receipts Tax Deduction • Space Gross Receipts Tax Deductions • Web Hosting Gross Receipts Tax Deduction	• Advanced Energy Tax Credit • Agricultural Biomass Corporate Income Tax Credit • Angel Investment Tax Credit • Double Weight Sales Factor for Manufacturers (prior to January 1, 2014) • Geothermal Heat Pump Tax Credit • High Wage Jobs Tax Credit • Investment Tax Credit for Manufacturers (requires new employees) • Job Mentorship Tax Credit • Qualified Business Facility Rehabilitation Credit • Refundable Film Production Tax Credit • Renewable Energy Production Tax Credit • Rural Job Tax Credit	• Beer and Wine Producers Preferential Tax Rate • Enhanced Oil Recovery Tax Rate • Indian Intergovernmental Tax Credit • Production Restoration Incentive Tax Exemption • Tribal Land: Intergovernmental Business Credits • Well Workover Incentive Tax Rate

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Advanced Energy Tax Credit • Alternative Energy Product Manufacturers Tax Credit • Biodiesel Blending Facility Tax Credit • High Wage Jobs Tax Credit • Laboratory Partnerships with Small Business Tax Credit • Research and Development Small Business Tax Credit • Rural Job Tax Credit • Technology Jobs Tax Credit	• Single Sales Factor for manufacturers (phased in 2014 through 2018) • Solar Market Development Tax Credit • Technology Jobs Tax Credit • Welfare-to-Work Tax Credit	
New York		
• Economic Transformation Program • Sales and Use Tax Exemption for certain film production purchases • Sales and Use Tax Exemption for research and development equipment • START_UP NY (credit or refund of sales taxes paid for goods or services used or consumed by qualified business located in tax-free zone)	• Brownfield Cleanup Tax Credit Program (for clean-up and redevelopment costs and real property taxes paid on qualified sites) • Commercial (media) Tax Credit Program • Economic Transformation Program (jobs, ITC, training & real property tax credits) • Excelsior Jobs Program (jobs, ITC, R&D & Real Property Tax Credits) • Film Tax Credit Program • Investment Tax Credit (ITC) • Qualified Emerging Technology Company (QETC) Tax Credits • Research and Development Tax Credit • Reduced Corporate Tax Rate for Qualified Manufacturers • START_UP NY (Business tax-free credit for qualified business located in tax-free zone)	• START_UP NY (10 year exemption for qualified business located in tax-free zone)
North Carolina		
• Companies in select industries may receive a refund of sales taxes on purchases of building materials, fixtures and equipment if the facility costs at least $50 million in Tier 1 counties and $100 million in Tier 2 and 3 counties • Data center and software exemptions • 50% refund of sales tax on certain purchases of supplies purchased by testing or medical labs engaged in analytical services	• Film Incentives (Tax credit program ends December 31, 2014) • Interactive Digital Media Tax Credit • Job Development Investment Grants (JDIG) (based on withholdings tax for eligible jobs) • Recycling Facility Tax Credits • Renewable Energy Property Investment Tax Credit • Technology Development Tax Credit	• Renewable Energy Property Investment Tax Credit
North Dakota		
• Agricultural Commodity Processing Plant construction materials • Biodiesel equipment • Carbon Dioxide for Enhanced Oil and Gas Recovery • Computer and Telecommunications Equipment (purchases (not replacement equipment) by certain certified primary sector businesses) • Hydrogen Generation Facility (includes sales of hydrogen as well as equipment	• Agricultural Commodity Processing Facility Investment Tax Credit • Angel Fund Investment Credit • Automation Credit (limited to 2013 - 2015 tax years) • Biodiesel Tax Credits • Certified Nonprofit Development Corporation Investment Credit • Internship Employment Credit • Microbusiness Investment and Employment Credit	• Bakken Horizontal Wells Oil and Gas Incentive • New Well Oil and Gas Severance Tax Exemption • Stripper Wells Oil Severance Tax exemption • Work-over Wells Oil Severance Tax exemption • Horizontal Re-Entry Wells Oil Severance Tax exemption • Inactive Oil Wells severance tax exemption • Qualifying Secondary Recovery Projects Oil severance tax exemption

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
used in the production and storage of hydrogen)	• New or Expanding Business 5-year Tax Exemption for certified primary sector or tourism business • North Dakota New Jobs Training Program (self-financing option reimbursement of state income tax withholding for new jobs) • Renaissance Zones (5-year exemption for income related to project, business purchase or expansion tax credit, renaissance fund organization ITC) • Research Expense Credit • Seed Capital Investment Credit • Wage and Salary Credit (available to corporation doing business in the state for the first time) • Workforce Recruitment Credit	• Qualifying Tertiary Recovery Projects Oil Severance tax exemption • Indian Reservation or Tribal Land Oil Severance tax exemption
Ohio		
• Energy Conversion Facilities Tax Exemption • Research and Development Sales Tax Exemption		• InvestOhio (personal income tax credit for investors that infuse new equity cash into small businesses) • Job Creation Tax Credit (Commercial Activity Tax ["CAT"] & Insurance) • Ohio Motion Picture Tax Incentive • Ohio New Markets Tax Credit Program (Insurance and financial institutions only) • Qualified Distribution Center Receipts Exclusion (CAT) • Research and Development Investment Loan Fund (CAT tax credit) • Research & Development Investment Tax Credit (CAT)
Oklahoma		
• Aircraft Facilities Sales Tax Exemption • Aircraft Maintenance or Manufacturing Facility Use Tax Refund • Computer Services / Data Processing / Telecommunications Equipment Tax Refund • Construction Materials Tax Refund • Economic Development Pooled Finance (bonds issued by infrastructure pool are financed or repaid from sales taxes approved by local communities) • Oklahoma Film Point-of-Purchase exemption for qualifying productions purchasing property or services used in production • Oklahoma Quality Events Program (allows local communities to recapture eligible expenses for hosting qualifying event from incremental sales tax revenues) • Sales of machinery and equipment purchased and used by certain qualified companies primarily engaged in computer services and data processing	• Aerospace Engineer Workforce Tax Credit • Agricultural Commodity Processing Facility Income Tax Exemption • Clean Burning Fuel Vehicle Credit • Qualified Clean-Burning Motor Vehicle Fuel Property Credit • Credit for Electricity Generated by Zero-Emission Facilities • Economic Development Pooled Finance (loans may be paid from withholding taxes from the for-profit entity that benefited) • Enterprise Zones (enhanced Investment/New Jobs Tax Credits) • Income Tax Credit For Investment In Oklahoma Producer-Owned Agriculture Processing • Incubator Site Tenant Tax Exemption • Investment/New Jobs Tax Credits • New Products Development Income Tax Exemption • Quality Jobs and Investment Tax Credit	• Insurance Premium Tax Credit (for locating or expanding regional home offices and having more than 200 employees) • Gross Production Severance Tax - reduced tax rates based on target prices • Gross Production Severance Tax - incentives based on target prices for reestablished production, production enhancement, deep well, new discovery and 3-D Seismic wells

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Sales Tax Financing (cities and counties with voter approval can build facilities and provide economic development benefits for businesses financed by sales tax collections) • Spaceport Exemption	• Recycling, Reuse And Source Reduction Incentive Act (income tax credit) • Research and Development New Jobs Credit (applies to qualifying computer services, data processing or research and development entities) • Technology Transfer Income Tax Exemption	
Oregon		
	• Biomass Producer or Collector Tax Credits • Business Expansion Program • Electronic Commerce Enterprise Zones - investment credit • Oregon Investment Advantage (at least 8-year exemption or deduction of income related to project) • Research Tax Credits •	
Pennsylvania		
• Keystone Opportunity Zone Program (KOZ)	• Film Tax Credit Program • Keystone Innovation Zones Tax Credit • Keystone Opportunity Zone Program (KOZ) (tax credit) • Keystone Special Development Zone (KSDZ) (jobs tax credit) • Neighborhood Assistance, Enterprise Zone Tax Credit • Research and Development Tax Credits • Resource Manufacturing Tax Credit (effective 1/1/2017) • Tax Credit for New Jobs	• Film Tax Credit Program • Innovate in PA Tax Credit (insurance tax) • Keystone Opportunity Zone Program (KOZ) • Tax Credit for New Jobs
Rhode Island		
• Farm Equipment and Farm Structure Construction Materials exemption • Firms using bond financing programs offered through the Rhode Island Economic Development Corporation or which are given "Project Status" by the RIEDC are exempt from sales tax on construction materials and equipment, furniture, fixtures, machinery, computers and equipment for the facility that are not already exempt from sales tax under other provisions of the state law • Research and Development equipment exemption for qualifying firms using the equipment predominantly for research development activities • Telecommunications sales tax exemption for certain regulated investment companies	• Adult Education Tax Credit • Business Income Apportionment for Manufacturers (double weighted sales apportionment factor) • Jobs Development Act - Corporate Income Tax Reduction for Job Creation (tax rate reduction based on new jobs created) • Deductions or modifications, as applicable, for investments in certified venture capital partnerships or in qualifying business entities are allowed in computation of tax • Educational Assistance and Development Credit • Elective Deduction for Research & Development Facilities • Employer's Apprenticeship Tax Credit • Enterprise Zone Business Tax Credit (based on new jobs) • Innovation Tax Credit (expires 12/31/2016)	• Adult Education Tax Credit • Educational Assistance and Development Credit • Historic Preservation Investment Tax Credit • Insurance Gross Premium Tax Credits in Enterprise Zones (jobs tax credit)

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Jobs Growth Act of 2005: Income Tax Reduction on Performance-Based Income • Job Training Tax Credit • Long term capital gains from the sale or exchange of an interest in a qualifying business entity or certified venture capital partnership are excluded • Manufacturing Investment Tax Credit • Motion Picture Production Tax Credit • Non-Manufacturing Investment Tax Credits • Research and Development Expense Credit • Research and Development Property Credit	
South Carolina		
• Computer Equipment Sales Tax Exemption for certain manufacturing facilities (Effective 11/1/2009 and only applies to taxpayers that notify the Department prior to 10/31/2015 of intent to use the exemption) • Material Handling Systems and Equipment Sales Tax Exemption (minimum investment required) • Motion Picture Production Company Comprehensive Exemption • Motion Picture Production Company Limited Exemption for Supplies and Equipment • Technology Intensive Facility Sales Tax Exemption - exempts computer equipment when minimum requirements are met • Recycling Facility Tax Credit (minimum investment and product requirements) • Research and Development Machinery exemption	• Accelerated Small Business Job Tax Credit • Agricultural Use of Anhydrous Ammonia Credit • Angel Investor Credit • Annual Small Business Job Tax Credit • Apprenticeship Credit • Biomass Resources Credit (investment) • Commercial Production Credit • Community Development Corporation Investment Credit (expires June 30, 2015) • Corporate Headquarters Credit • Credit for Energy Conservation and Renewable Energy • Credit for Infrastructure Construction • Credit for Investing in Property in South Carolina (available to manufacturers and certain other businesses located in economic impact zone counties) • Credit For Manufacturers of Renewable Energy Systems and Components (available for the period January 1, 2010 to December 31, 2015) • Economic Development Based Alternative Apportionment Provisions (New facility or expansion - 5 year formula, New Facility or expansion - 10 year formula, enumerated special industry formulas) • Ethanol Or Biodiesel Production Credit for Qualified New Production effective 1/1/2017 • Industry Partnership Fund Tax Credit • Job Development Credit (discretionary rebate of withholding taxes from new jobs, percentage varies and period is 10 to 15 years, reimbursement of qualified expenditures) • Job Retraining Credit (discretionary rebate for certain manufacturers of	• Accelerated Small Business Job Tax Credit • Community Development Corporation Investment Credit (expires June 30, 2015) • Corporate Headquarters Credit • Industry Partnership Fund Tax Credit • Textile Revitalization Credit (taxpayer must elect either income or property tax credit) • Traditional Annual Job Tax Credit • Venture Capital Investment Tax Credit (banks and insurance) (based on loans made to designated investor group)

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	withholding taxes for reimbursement of certain training costs) • Job Tax Credit • Milk Producer Credit (graduated credit available when milk sells below established production price) • Motion Picture Production Facility Credit • Motion Picture Project Credit • Port Volume Increase Credit (credit can be taken for income tax or withholdings tax) • Recycling Facility Tax Credit (taxpayer must elect either income or property tax credit) • Research and Development Credit • Retail Facility Revitalization Credit (taxpayer must elect either income or property tax credit) • Special Investment Tax Credit for Rubber and Plastics Manufacturers • Tax Moratorium - 10 to 15 year exemption for the portion of the taxpayer's liability that represents the ratio of the taxpayer's new investment in the moratorium county to its total South Carolina investment. • Textile Revitalization Credit for rehabilitation of abandoned textile mill site (taxpayer must elect either income or property tax credit) • Traditional Annual Job Tax Credit	
South Dakota		
• Reinvestment Payment Program		
Tennessee		
• Call Center Sales tax exemption for certain telecommunications • Headquarters Tax Credit- sales and use tax credit for qualified tangible personal property purchases • Pollution Control Equipment Sales Tax Credit for auto body shops and dry cleaners • Qualified Data Center exemption for certain equipment and software • Sales and Use Tax Credit for Qualified Facility to Support an Emerging Industry	• Data Center Tax Credit • Green Energy Tax Credit • Headquarters Tax Credit - conversion of net operating losses to a credit in certain circumstances • Headquarters Tax Credit - enhanced Super Jobs Tax Credit • Headquarters Tax Credit - Relocation expense credit • Industrial Machinery Tax Credit • Integrated Supplier and Integrated Customer Tax Credit • Jobs Tax Credit • Jobs Tax Super Credit - enhanced jobs tax credit and exclusion of two-thirds of capital investment from franchise tax base • Rural Opportunity Initiative Enhanced Jobs Tax Credit	• Tennessee Small Business Investment Company Credit Act (Insurance Premiums Tax)
Texas		
• Agricultural Items exempt • Carbon Dioxide Sequestration	• Clean Energy Project Credit	• High-Cost Gas - Natural Gas Production Tax Rate Reduced

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Cooperative Research and Development Ventures • Data Centers Exemption • Media Production Locations exemption • NAFTA Impact Zones (refund of local sales taxes) • Neighborhood Empowerment Zones (refund of local sales taxes) • Research and Development • Cable TV, Internet Access and Telecommunications equipment exemption (limited to $50 million annually) • County Assistance Districts (levy of local sales tax for economic development) • Defense Economic Readjustment Zone Refund • Economic Development Sales Tax (levy of local sales tax for economic development) • Municipal Development Corporation (levy of local sales tax for development of a qualified workforce) • Municipal Development District (levy of local sales tax for certain infrastructure and types of facilities) • Tourism Promotion (city and county hotel taxes for promotion and acquisition or construction of certain types of facilities) • Enterprise Zone Sales Tax Refunds	• Low Producing Oil or Gas Wells - total revenue exclusion • Research and Development credit (taxpayer must choose franchise tax credit or sales tax exemption)	• Low Producing Wells - Natural Gas Production Tax Credit • Orphaned Wells - Natural Gas Production Tax exemption • Previously Inactive Wells - Natural Gas Production Tax exemption for 10 years • Enhanced Efficiency Equipment - Oil Production Tax Credit • Enhanced Recovery Projects - Oil Production Tax Rate Reduction • Low Producing Leases - Oil Production Tax Credit • Orphaned Wells - Oil Production Tax exemption • Previously Inactive Wells - Oil Production Tax exemption for 10 years
Utah		
• Film, TV and video productions machinery and equipment exemption • EDTIF Tax Credit (post-performance refundable tax credit of up to 30% of new state sales tax revenue) • Alternative Energy Development Incentive (post-performance refundable tax credit of 75% of new state revenue applies to new state sales tax revenue for up to 20 years) • Renewable Energy Sales and Use Tax Exemption	• EDTIF Tax Credit (post-performance refundable tax credit of up to 30% of new state revenue applies to corporate income tax and state withholding taxes) • Enterprise Zone - Job Creation Tax Credit • Enterprise Zone - investment tax credit • Enterprise Zone - tax credit for rehabilitating a vacant building in the zone • Investment Policy Tax Credit • Motion Picture Incentive Program - tax credit • Recycling Market Development Zone Program - tax credit on cost of machinery and equipment • Recycling Market Development Zone Program - tax credit on eligible operating expenses • Alternative Energy Development Incentive (post-performance refundable tax credit of 75% of new state revenue applies to corporate income tax and state withholding taxes for up to 20 years)	• Oil and Gas Tax - Stripper Well Exemption

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
	• Renewable Energy Systems Tax Credit - investment tax credit • Renewable Energy Systems Tax Credit - production tax credits • Research Activities Tax Credits	
Vermont		
• Exemptions for agricultural equipment	• Downtown and Village Center Program Tax Credits • Investment Tax Credit • Research and Development Tax Credit • Rural Economic Area Partnership Zone Machinery and Equipment tax credit • Vermont Seed Capital Fund Tax Credit	
Virginia		
• Data Centers Exemption for computer equipment • Film, video and audio production - related purchases • Purchases used directly and exclusively in activities performed in cooperation with the Virginia Commercial Space Flight Authority • Research and Development equipment exemption	• Biodiesel Fuels Credit • Farm Wineries and Vineyards Tax Credit • Fertilizer and Pesticide Application Equipment Credit • International Trade Facility Tax Credit • Major Business Facility Job Tax Credit • Major Business Facility Job Tax Credit - lower threshold for jobs in Enterprise Zone • Motion Picture Production Tax Credit • Port Volume Increase Tax Credit • Qualified Equity And Subordinated Debt Investments Credit • Research and Development Tax Credit (expires December 31, 2015) • Phase-in of single sales apportionment factor for manufacturers • Worker Retraining Tax Credit	
Washington		
• Brokered Natural Gas Use Tax Exemption for aluminum smelters who manufacture aluminum • Biotechnology and Medical Device Manufacturing Sales and Use Tax Deferral/Waiver • High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities (expires July 1, 2020) • Retail Sales and Use Tax Exemption for the Construction of New Facilities Used to Manufacture Commercial Airplanes, Fuselages or Wings of Commercial Airplanes • Sales and Use Tax Exemption for Aerospace Manufacturers for Computer Hardware/Software/Peripherals • Sales/Use Tax Exemption for Hog Fuel (wood waste, including forest-derived biomass) (expires June 30, 2024) • Sales/Use Tax Exemption of Machinery and Equipment Used to Generate Electricity Using Renewable Energy & Solar Thermal Heat Systems		• B&O Credit for New Employees in Manufacturing and Research and Development in Community Empowerment Zones • B&O Credit for New Employees in Manufacturing and Research and Development in Rural Counties • B&O Credit for Preproduction Development Expenditures (aerospace industry) • B&O Credit for Property/Leasehold Taxes paid on Aerospace Manufacturing Facilities • B&O Reduced Tax Rate for Aerospace Businesses • B&O Tax Credit for Property Tax on Aluminum Smelter • B&O Reduced Tax Rate for Aluminum Smelting • B&O Tax Credit For State Portion of Sales Tax on Materials Used in Aluminum Smelter • B&O Tax/Public Utility Tax Credit for Electricity, Natural Gas, or Manufactured Gas sold to Aluminum Smelters

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
• Sales and Use Tax Deferral/Waiver for Corporate Headquarters Locating in Community Empowerment Zone • Sales and Use Tax Exemption for Purchases of Server Equipment and Power Infrastructure for use in Eligible Data Centers located in Rural Counties • Sales/Use Tax Exemption for Anaerobic Digesters • Sales/Use Tax Exemption for Motion Picture and Video Production Companies on Rental or Purchase of Production Equipment • Sales/Use Tax Exemption for Purchases of Semiconductor Gasses & Chemicals • Sales/Use Tax Exemption for Replacement Parts for Farm Machinery and Equipment • Remittance of State Sales Tax for Warehouses, Distribution Centers, and Grain Elevators • Rural Counties Public Facilities Tax - dedicated to economic development (local tax credit against state tax)		• B&O Tax Exemption for Manufacturers of Dairy and Seafood Products (Expires July 1, 2015) • B&O Reduced Tax Rate for Manufacturers of Dairy and Seafood Products (Effective July 1, 2015) • B&O Tax Exemption for Manufacturers of Fresh Fruit and Vegetables (Expires June 30, 2015) • B&O Reduced Tax Rate for Manufacturers of Fresh Fruit and Vegetables (Effective July 1, 2015) • B&O Tax Credit for Forest-Derived Biomass (expires June 30, 2015) • B&O Tax Credit for new employment in International Services located in Community Empowerment Zones or designated International Services Districts • B&O Reduced tax rate for Newspaper publishers (expires July 1, 2015) • B&O Reduced Tax Rate for Manufacturers of Semiconductor Materials (expires December 1, 2018) • B&O Reduced Tax Rate for Manufacturing Wood Biomass Fuel • B&O Reduced Tax Rate for Timber Extracting and Manufacturing • B&O Tax Credit for Washington Customized Employment Training Program (expires July 1, 2017) • B&O Tax Credit for Washington Filmworks Contributors (expires June 30, 2017) • Main Street Tax Credit B&O Tax/Public Utility Tax Credit • Public Utility Tax Credit for Contributions to a Rural Economic Development Revolving Fund • Public Utility Tax Exemption Power for electricity used by Electrolyte Processing businesses
West Virginia		
• High-Technology Business Property Valuation Act provides sales tax exemption for certain tangible personal property for direct use in a high technology business or internet advertising business • Research and Development equipment exemption • Sales Tax Exemption for Certain E-Commerce Businesses • Sales Tax Exemption for Certain Warehouse and Distribution Centers • West Virginia Film Industry Investment Act - exemption for certain TPP and services used directly in production • Tourism Development Act (sales tax credits)	• Commercial Patent Incentives Tax Credit • Construction Trades Apprenticeship Training Tax Credit • Corporate Headquarters Credit • Economic Opportunity Credit (jobs) • Environmental Agricultural Equipment Tax Credit • High-Tech Manufacturing Credit • Manufacturing Inventory Credit for property taxes paid on inventory and inputs • Manufacturing Investment Credit • West Virginia Film Industry Investment Act - transferable tax credit • West Virginia Venture Capital - tax credits	• Energy Intensive Industrial Consumers Revitalization Tax Credit (coal severance tax credit) • Oil and Gas Severance Tax Exemptions for certain low- and non-producing wells

Sales, Income and Other State Taxes		
Sales Tax	**Income/Franchise Tax**	**Other Business Taxes**
Wisconsin		
• Sales and Use Tax Exemption for property used in research by companies engaged in manufacturing or biotechnology	• Business Relocation Credit • Development Opportunity Zone Tax Credits • Early Stage Seed Investment Credit • Economic Development Tax Credit • Enterprise Zone Tax Credits • Farmland Preservation Credit (per acre credit) • Film Production Company Investment Tax Credit • Film Production Services Tax Credit • Food Processing Plant and Food Warehouse Investment Credit • Job Creation Deduction (deduction from taxable income) • Jobs Tax Credit • Manufacturing and Agriculture Credit • Research and Development Expense Credit • Woody Biomass Harvesting and Processing Tax Credit (expires December 31, 2015)	
Wyoming		
• Data Center Sales Tax Exemption		• Severance Tax Incentives for stripper wells, tertiary units, new well, workover, recompletion, and renewed production. Limited time incentives with target prices

Section C: Other Incentive Programs

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
Alabama		
• Alabama Industrial Access Road and Bridge Program • Community Development Block Grant (CDBG) • Alabama Innovation Fund • Industrial Development Grant Program (Site Preparation)	• Alabama Improvement Districts • Alabama Loan Guarantee Program • Alabama Loan Participation Program • Alabama SAVES (Sustainable and Verifiable Energy Savings) Program • Capital Access Program (CAP) • Certified Capital Company Program (CAPCO) • Economic Development Revolving Loan Funds • Industrial Revenue Bonds • Linked Deposits Program	• Industrial Development Training Program
Alaska		
• Child Care Grant Program • Emerging Energy Technology Fund Grant Program	• 49th State Angel Fund (49SAF) • Agricultural Revolving Loan Fund (ARLF) • Bulk Fuel Revolving Loan Fund • Capstone Avionics Loan Program • Commercial Charter Fisheries Loan Program • Commercial Fishing Revolving Loan Program • Commercial Fishing, Business, and Agriculture Loans • Conduit Revenue Bond Program • Fisheries Enhancement Loan Program • Loan Participation Program • Mariculture Loan Program • Microloan Program	

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
	• Power Project Loan Fund • Rural Development Initiative Fund • Small Business Development Loan Program • Southeast Alaska Revolving Loan Fund	
Arizona		
• AZ Fast Grant • Brownfields Assistance Program • Job Training Program • SBIR/STTR Proposal Training Program	• Angel Investment • Arizona Innovation Accelerator Fund • Private Activity Bonds (PAB)	• SBIR/STTR Proposal Training Program
Arkansas		
• Business and Industry Training Program • Create Rebate Program • Existing Workforce Training Program (EWTP) • Motion Picture Incentive • Super Projects • Technology Transfer Assistance Grant	• Arkansas Industrial Energy Technology Loan Program • Beginning Farmer Loan Program • Bond Guaranty Program • Capital Access Program • Co-Investment Fund • Disadvantaged Business Enterprise Program • Equity Investment Tax Credit • Industrial Revenue Bonds • Intermediary Relending Program • Risk Capital Matching Fund • Seed and Angel Capital Network • Seed Capital Investment Program • Speculative Building Loan Program • Super Projects • Technology Development Program • Tourism Development Loan Program • Venture Capital Investment Fund	• Business and Industry Training Program
California		
• CDBG - Economic Development Allocation, Over the Counter Component • CDBG - Enterprise Fund • Energy Innovations Small Grant Program • Employment Training Panel • Underground Storage Tank (UST) Cleanup Fund	• 501(c)(3) Revenue Bond Program • California Capital Access Program (CalCAP) • California Export Finance Services - Loan Guarantees • California Recycle Underutilized Sites (Cal ReUSE) Program • California Small Business Loan Guarantee Program (SBLGP) • CDBG - Economic Development Allocation, Over the Counter Component • CDBG - Enterprise Fund • Collateral Support Program (CalCAP CS) • Exempt Facility Bond Program • Industrial Development Revenue Bond Program • Infrastructure State Revolving Fund Program • Recycling Market Development Zone Revolving Loan Program • Small Business Loan Guarantee Program • The Pollution Control Tax-Exempt Bond Financing Program	
Colorado		
• Advanced Industries Accelerator Programs • Bioscience Discovery Evaluation Grant Program • Colorado Brownfields Revolving Loan Fund • Colorado FIRST and Existing Industry Customized Training Programs • Infrastructure Assistance Program • Strategic Cash Fund Incentive	• Cash Collateral Support Program • CDBG Business Loan Funds (BLFs) • Certified Capital Companies (CAPCO) Program • Colorado Brownfields Revolving Loan Fund • Colorado Capital Access Program • Colorado Fund 1 • Manufacturing Revenue Bonds • Rural Loan Program • Small Business and Entrepreneurs Loan Program	• Advanced Industries Accelerator Programs

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
Connecticut		
• Abandoned Brownfield Cleanup (ABC) Program • Brownfield Municipal Grant Program • First Five Program • Grants for Brownfields Redevelopment • Manufacturing Innovation Fund • Small Business Express Program	• Direct Loans • Economic and Manufacturing Assistance Act • Eli Whitney Fund • First Five Program • Industrial Revenue Bonds • Manufacturing Innovation Fund • Manufacturing Reinvestment Account • Pre-Seed Fund • Seed Investment Fund • Small Business Express Program • Targeted Brownfield Development Loan Program • URBANK: Access to capital for Connecticut's small businesses	
Delaware		
• Blue Collar Training Grant • Brownfields Assistance Matching Grants • Community Development Block Grants (infrastructure) • Delaware Green Energy Program • Delaware Strategic Fund • HOME Investment Partnerships (HOME) • Housing Development Fund (HDF)	• Delaware Access Program • Delaware Rural Irrigation Program (DRIP) • Delaware Strategic Fund • Industrial Development Bonds • Renewable Energy Facilities Revolving Loan Fund • Tax-Exempt Bond Financing	
Florida		
• Economic Development Transportation Fund • High Impact Performance Incentive Grant (HIPI) • Incumbent Worker Training Program • Innovation Incentive Program • Quick Action Closing Fund • Quick Response Training Grants • Rural Infrastructure Fund • SBIR/STTR "Phase 0" Program • Rural Economic Development Initiative	• 504 Bridge Loan Program • Black Business Loan Program • Export Assistance and Financing • Export Loan Guarantees & Export Direct Loans • Florida Capital Access Program • Florida Development Finance Corporation - Industrial Revenue Bonds • Florida First Business Bond Pool • Florida Growth Fund • Florida Minority Business Loan Mobilization Program • Florida Opportunity Fund • Florida Recycling Development Fund • Florida Venture Capital Program • Loan Guarantee Program & Loan Participation Program • New Markets Development Program • Rural Community Development Revolving Loan Program • State Small Business Credit Initiative	• Economic Gardening Technical Assistance Pilot Program • Permit Streamlining Initiatives
Georgia		
• Appalachian Regional Commission Economic Development Grant Program (Commission is a partnership of the governors of the 12 Appalachian States and a presidential appointee) • Employment Incentive Program (EIP) • Redevelopment Fund Program • Regional Assistance Program (RAP) • Regional Economic Business Assistance (REBA) Program	• Bond Allocation Program • Downtown Development Revolving Loan Fund • Employment Incentive Program (EIP) • Entrepreneurial and Small Business Loan Guarantee Fund (ESB) • Environmental Emergency Loan • GA Funding for CDFIs • GA Small Business Credit Guarantee (SBCG) • Georgia Capital Access Program (GCAP) • Industrial Revenue Bonds • Life Sciences Facilities Fund (LSFF) • The Equity Fund	• Regional Economic Assistance Projects (REAP)

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• The EDGE (Economic Development, Growth and Expansion) Fund • The Equity Fund		
Hawaii		
• Hawaii Small Business Innovation Research (SBIR) Grant Matching Program	• Alternative Energy Loan Program • Food Manufacturing Facility Loan • Food Manufacturing Operating Loan • Malama Loan Program • SSBCI Venture Capital Investment Program • Special Purpose Revenue Bonds	
Idaho		
• Community Development Block Grant • Gem Grant • Idaho Opportunity Fund • Rural Community Block Grant • Workforce Development Training Fund	• Idaho Collateral Support Program (SSBCI funded program federal funds) • Idaho Prime Loan Program • Idaho Small Business Loan • Industrial Revenue Bonds (IRBs)	
Illinois		
• AgriFIRST • Building Industry Training and Education (BITE) Program • Business Development Public Infrastructure Program (BDPI) • Coal Competitiveness Program • Coal Demonstration Program • Coal Research & Development Program • Community Economic Assistance Program • Community Service Block Grant (CSBG) Loan Program • Employer Training Investment Program • Illinois Coal Revival Program • Illinois E-85 Infrastructure Development Program • Job Training and Economic Development (JTED) Grant Program • Large Business Development Program • Recycling Expansion and Modernization (REM) Program • Renewable Fuels Development Program • Solar And Wind Energy Rebate Program	• 1985 Revolving Fund Pooled Financing Program • Agri-Debt Restructuring Guarantee Program • Angel Investment Credit Program • Beginning Farmer Bond Program • Business and Industry Participation Loan Program • Capital Access Program (CAP) • Community Service Block Grant (CSBG) Loan Program • Conditional Direct Loan • Healthcare 501(c)(3) Bond Program • Healthcare 501(c)(3) Equipment Finance Program • Healthcare Initiative - Capital Opportunity Bond (COB), Private Placement Program • Healthcare Initiative - Private Placement Program • Industrial Development Revenue Bond Program • Invest Illinois Venture Fund (IIVF) • New Markets Development Program • Participation Loan Program • Rural Development Loan Program • Solid Waste Disposal Revenue Bond Program • Specialized Livestock Guarantee Program • State Guarantee Program for Agri-Industries • Working Capital Guarantee Program • Young Farmer Guarantee Program	• Job Training and Economic Development (JTED) Grant Program
Indiana		
• Clean Energy Credit Program • Community Focus Funds (CFF) • Industrial Development Grant Funds (IDGF) • Main Street Revitalization Program	• Agricultural Development Loan Program • Capital Access Program - State Small Business Credit Initiative (CAP-SSBCI) • Health and Educational Facilities Bond Program • Indiana 21st Century Research and Technology Fund (21 Fund) • Indiana Angel Network Fund (SSBCI) • Indiana Brownfields Program	

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Microenterprise Assistance Program (MAP) • Planning Grant • Shovel Ready Program • Skills Enhancement Fund (SEF)	• Indiana Community Development Fund • Large Bond Program • Private Activity Bonds • Small Bond Program • Small Business Development Fund • Venture Capital Investment (VCI) Tax Credit • Volume Cap Program	
Iowa		
• Accelerated Career Education (ACE) • Apprenticeship Program (260F) • Demonstration Fund (SSBCI) • Enterprise Zones (for new employee training expenses) • Export Trade Assistance Program (ETAP) • Iowa Self-Employment (ISE) • Railroad Revolving Loan and Grant Program • Revitalize Iowa's Sound Economy (RISE)	• Economic Development Bond Program • Economic Development Set-Aside Program • Industrial Development Bonds • Iowa Capital Access Program (ICAP) (SSBCI) • Iowa Fund of Funds • Iowa Innovation Acceleration Fund • Iowa Small Business Loan Support Program • Loan Participation Program • Public Facilities Set-Aside Program (PFSA) • Railroad Revolving Loan and Grant Program • Revitalize Iowa's Sound Economy (RISE) • Small Business Linked Investments for Tomorrow (LIFT) • Solid Waste Alternatives Program (SWAP) • Targeted Small Business Assistance Program (TSB)	• Accelerated Career Education (ACE) • Apprenticeship Program (260F) • Iowa Jobs Training Program (260F) • Iowa Industrial New Jobs Training Program (260E)
Kansas		
• Ethanol Production Incentive • Kansas Bioscience Authority Programs • Kansas Industrial Retraining Program • Kansas Industrial Training Program • Kansas International Trade Show Assistance Program • Tourism Marketing Grant	• Bond Finance Program for Wind and Solar Manufacturers • Certified Development Companies • Community Development Block Grant - Economic Development program • Industrial Revenue Bonds • Kansas Bioscience Authority Programs • Kansas Capital Multiplier Loan Fund (SSBCI) • Kansas Capital Multiplier Venture Fund • Kansas Partnership Fund • STAR Bonds •	• Veterans Program
Kentucky		
• Competitive Grant-in-Aid Program (GIA) • High-Tech Funding Resources • Kentucky Enterprise Fund • Kentucky New Energy Ventures • Kentucky SBIR-STTR Matching Funds Program • Local Government Economic Development Fund (LGEDF) • Research and Development Excellence Program (RDE) • Rural Innovation Fund	• Direct Loan Program • High-Tech Funding Resources • Industrial Revenue Bonds (IRB) • Kentucky Capital Access Program (KYCAP) • Kentucky Collateral Support Program (KYCSP) • Kentucky Enterprise Fund • Kentucky Loan Participation Program (KYLPP) • Kentucky Microenterprise Loan Program • Kentucky New Energy Ventures • Linked Deposit Program • Rural Innovation Fund • Small Business Loan Program	
Louisiana		
• Competitive Projects Payroll Incentive Program • Corporate Headquarters Relocation Program • Economic Development Award Program • Incumbent Worker Training Program (IWTP)	• Business and Industrial Development Companies (BIDCO) Investment Program • Economic Development Award Program • Industrial Revenue Bonds • Louisiana Seed Capital Program • Small Business Loan and Guaranty Program	• Louisiana FastStart • Small and Emerging Business Development Program

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Quality Jobs Program • Sound Recording Investor Tax Credit (issued as a rebate from DOR) • Technology Commercialization Credit and Jobs Program		
Maine		
• Agricultural Development Grant Program (ADG) • Cluster Initiative Program • Communities for Maine's Future • Economic Development Program • Maine Apprenticeship Program • Maine Community Development Block Grant Program (CDBG) • Maine Quality Centers Program • Maine Technology Asset Fund • Micro Enterprise Assistance Grant Program (MEA) • Seed Grants	• Agricultural Marketing Loan Fund (AMLF) • Economic Development Program • Economic Recovery Loan Program • Industrial Revenue Bonds • Intermediary Relending Program • Kim Wallace Adaptive Equipment Loan Program (mPower) • Linked Investment for Commercial Enterprises • Linked Investment Program for Agriculture • Maine Community Development Block Grant Program (CDBG) • Maine Economic Development Venture Capital Revolving Investment Program • Major Business Expansion Bond Program • Micro Enterprise Assistance Grant Program (MEA) • Municipal Securities Approval Program • Nutrient Management Loan Program • Oil Storage Facility and Tank Program • Potato Marketing Improvement Fund • Regional Economic Development Revolving Loan Program • Regional Economic Development Revolving Loan Program for Daycare • Revenue Obligations Securities Program • Secondary Market Tax-Exempt Bond Program • Small Enterprise Growth Fund	
Maryland		
• Biotechnology Development Program • Commercial Clean Energy Grant Program • Community Legacy (CL) • EARN Maryland Program • Electric Vehicle Supply Equipment Rebate Program • Maryland Economic Development Assistance Authority and Fund (MEDAAF) • Maryland Industrial Training Partnerships (MIPS) • Neighborhood Housing Services (NHS) • Offshore Wind Business Development Fund • Partnership for Workforce Quality (PWQ)	• Be SMART Business • BRAC Revitalization and Incentive Zone Program • Contract Financing Program (CFP) • Enterprise Investment Fund • Equity Participation Investment Program • Industrial Revenue Bonds • InvestMaryland • Jane E. Lawton Conservation Loan Program • Long-Term Guaranty Fund Program • Maryland Capital Access Program (MCAP) • Maryland Economic Adjustment Fund (MEAF) • Maryland Economic Development Assistance Authority and Fund (MEDAAF) • Maryland Linked Deposit Program • Maryland Resource-Based Industry Financing Fund Loan (MRBIFF) • Maryland Technology Transfer and Commercialization Fund (MTTCF) • Maryland Vineyard Planting Loan Fund (MVPLF) • Maryland's Child Care Facility Loan Programs • Microenterprise Loan Program (MLP) • MIDFA Credit Insurance • MIDFA Private Activity Revenue Bond • Military Personnel and Service-Disabled Veterans Loan Program • Neighborhood BusinessWorks Program (NBW) • Rural Business Energy Efficiency Improvement Loan Fund (RBEEIL) • Rural Business Equipment and Working Capital Fund Loan (RBEWCL) • Surety Bond Program (SBP)	• Main Street Maryland (MSM) • Maryland Save Energy Now

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
Massachusetts		
• Advanced Manufacturing Futures Program • Capital Program • Catalyst Program • Commonwealth Hydropower • Commonwealth Organics-to-Energy • Commonwealth Solar Hot Water • Commonwealth Solar II • Commonwealth Wind • InnovateMass • Internship Challenge Program • Investments for Job Creation • Life Sciences International Collaborative Industry Program • Massachusetts Clean Energy Internship Program • Massachusetts Cultural Facilities Fund • Small Business Assistance Grant Program • Universal Partnerships Program • Workforce Training Fund (WTF) Express Program • Workforce Training Fund (WTF) General • Workforce Training Fund (WTF) Hiring Incentive Training Grant Program	• Brownfields Redevelopment Access to Capital Program (BRAC) • Brownfields Remediation Loan Program • Brownfields Site Assessment Program • Capital Access Program • Capital Financing 501 • Community Investment Loans • Emerging Technology Fund • Equipment Loans • Export Financing • Green Loan Program • Investments in The Advancement of Technology • Massachusetts Growth Capital Corporation • Massachusetts Recycling Loan Fund • Mezzanine Capital Fund • Real Estate Loans • Seafood Processing Facilities and Equipment Financing • Tax Exempt Bonds • Taxable Bonds • TechDollars • Value Lease • Venture Capital Investment	• Massachusetts Clean Energy Internship Program
Michigan		
• Alternative Fuel Fueling Station Grants (Ethanol and Biodiesel Matching Grant) • Centers of Energy Excellence (COEE) • Film and Digital Media Incentive • Michigan Biomass Energy Program Grants (MBEP) • Michigan Business Development Program • Michigan Community Revitalization Program (MCRP) • Michigan Emerging Technology Fund (ETF) • New Jobs Training Program • Strategic Growth Initiative (SGI)	• 21st Century Investment Fund • Accelerator Fund • Capital Access Program • Energy Revolving Loan Program • Invest Michigan! Growth Capital Program • Invest Michigan -- Michigan Opportunities Fund • Michigan Business Development Program • Michigan Collateral Support Program (MCSP) • Michigan Community Revitalization Program (MCRP) • Michigan Loan Participation Program (MLPP) • Pre-Seed Capital Fund/SmartZones • Private Activity Bonds (PAB) • Pure Michigan Micro Lending Initiative • Urban Land Assembly (ULA) Program • Venture Michigan Fund (VMF)	• Business Connect
Minnesota		
• Export Financing Programs • Greater Minnesota Public Infrastructure Program • Growth Acceleration Program • Health Care and Human Services Training Program • Innovative Business Development Program • Minnesota Investment Fund	• Agricultural Improvement Loan Program • Angel Loan Fund • Capital Access Program • Emerging Entrepreneurs Fund • Export Financing Programs • Industrial Revenue Bonds • Indian Business Loan Program • Military Reservist Economic Injury Loan Program • Minnesota Cleanup Revolving Loan Fund Program	• Growth Acceleration Program • Job Skills Partnership Program

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Minnesota Job Creation Fund • Pathways Program • Snowbate, Minnesota's Film Production Incentive	• Small Business Development Loan Program • Small Business Loan Guarantees • Tourism Business Septic Tank Replacement • Urban Initiative Program	
Mississippi		
• Development Infrastructure Program • Economic Development Highway Program • Mississippi Job Protection Grant Program • Motion Picture Production Incentive Program • Rural Impact Fund Grant Program (RIF) • Small Municipal and Limited Population Grant Program	• Business Incubator Loan Program • Capital Access Contract Loan Program (MS CAP) • Capital Improvements Revolving Loan Program (CAP) • CDBG Loan for Economic Development • Energy Efficiency Revolving Loan Fund • Industrial Development Revenue Bond Program • Minority Business Enterprise Loan Program • Minority Micro Loan Program • Mississippi Airport Revitalization Revolving Loan Program • Mississippi Existing Industry Productivity Loan Program • Mississippi Loan Guaranty Program • Mississippi Major Economic Impact Authority • Mississippi Minority Surety Bond Guaranty Program • Mississippi Port Revitalization Revolving Loan Program • Mississippi Small Enterprise Development Finance Program (SED) • MS Business Investment Act Loan Program (MBIA) • Small Business Loan Guaranty Program	
Missouri		
• Brownfield Redevelopment Program • Community College New Jobs Training • Customized Training Program • Global Market Access Program • Industrial Infrastructure Grant	• Action Fund Loan Program • Brownfield Redevelopment Program • BUILD (Business Use Incentives for Large-scale Development) • Industrial Development Bonds • Industrial Revenue Bond Program • Interim Financing Loan • Microenterprise • Missouri IDEA Funds • Private Activity Bond Allocation • Small Business Loan Program	• Employment Transition Team
Montana		
• Big Sky Economic Development Trust Fund (BSTF) • Big Sky Film Grant • Growth Through Agriculture (GTA) Program • Montana Board of Research and Commercialization Technology Trust Fund • Primary Sector Workforce Training Grant Program	• Board of Investments Business Loan Participation Program • Board of Investments Value-Added Business Loan Program • Growth Through Agriculture (GTA) Program • Industrial Revenue Bonds • Micro-Business Loans • Montana State Small Business Credit Initiative (MT SSBCI) Program • Montana Wood Products Revolving Loan Fund (WP RLF) Program	
Nebraska		
• Community Development Block Grant (CDBG) Program • Customized Job Training Program • Microenterprise Development Fund Enhancement • Nebraska Worker Training Program • Tourism Marketing Grant Program	• Dollar and Energy Saving Loans • Industrial Development Bonds • Nebraska Angel Sidecar Fund • Nebraska Progress Loan Fund • Rural Assistance Enterprise Project (REAP) • Small and Micro Business Financing	
Nevada		
• Catalyst Fund	• Brownfields Cleanup Revolving Loan Fund • Catalyst Fund	

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Silver State Works Employee Hiring Incentive • Train Employees Now (TEN)	• Community Reinvestment Fund (CRF) • Industrial Development Revenue Bond (IDRB) Program • Nevada Collateral Support Program • Nevada Microenterprise Initiative	
New Hampshire		
• Brownfields Program • Enterprise Energy Fund • Granite State Technology Innovation Grant • Stay at Work: Workshare	• Assistance to Local Development Organizations • Borealis Granite Fund • Brownfields Program • Business Energy Conservation Loan Program • Business Loan Enhancement Program • Capital Access Program (CAP) • Collateral Shortfall Program • Enterprise Energy Fund • Guarantee Asset Program • Industrial Development Revenue Bond Financing • Loan Guarantee Reserves • MicroCredit - New Hampshire Community Loan Fund • Vested for Growth • Working Capital Line of Credit Guarantee	• Job Training Fund
New Jersey		
• Competitive Literacy Skills Training Grants • Customized Training Grants • Economic Redevelopment and Growth (ERG) Program • Edison Innovation Fund • Opportunity4Jersey Training Grants • Skills4Jersey Training Grant Program • Urban Enterprise Zone Program (UEZ) - Business Retention and Relocation Assistance Grant	• Bond Financing Program • Edison Innovation Fund • Technology & Life Sciences Innovation Zones - Statewide Loan Pool • Fund for Community Economic Development • New Jersey Business Growth Fund • Premier Lender Program • Small Business Fund • Venture Capital Investment Fund	• Opportunity4Jersey Training Grants (training services for employers) • TechLaunch
New Mexico		
• Film Crew Advancement Program • Job Training Incentive Program	• Collateral Support Participation Program • Film Loan Program • Industrial Revenue Bonds • New Markets Tax Credits - New Mexico Finance Authority/Finance New Mexico Loan Program • The Loan Fund	
New York		
• Brownfield Opportunity Areas Program • Build Now-NY Program • Economic Development Fund • Economic Development Purposes Grants • Economic Transformation Program • Environmental Investment Program • Existing Facilities Program • Global Export Marketing Service (GEMS) • Industrial Access Program	• Capital Access Program • Commercial District Revolving Loan Trust Funds • Community Development Financial Institutions • Economic Development Purposes Grants (loans) • Farmworker Housing Program • Grow New York's Enterprise Program • Housing Development Fund • Industrial Access Program • Industrial Finance Program • Industrial Revenue Bonds • Innovate NY Fund • Job Development Authority (JDA) Direct Loan Program • JOBS Now (development loans based on per job basis) • Linked Deposit Program • Metropolitan Economic Revitalization Fund (MERF)	• Entrepreneurial Assistance Program (EAP) • Export Marketing Assistance Service • Procurement Assistance Program

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Industrial and Process Efficiency Performance Incentives (manufacturers & data centers) • Industrial Effectiveness Program • JOBS Now (development and job creation grants based on per job basis and workforce training grants) • Low-Income Housing Trust Fund Program • Manufacturer Incentives Through the Industrial Process and Efficiency Program • Manufacturing Assistance Program • New Farmers Grant Fund • On-Site Wind Turbine Incentive Program • PV Incentive Program • Regional Council Capital Fund • Solar Thermal Incentive Program • Upstate Regional Blueprint & Downstate Revitalization Funds • Urban and Community Development Program (UCDP)	• Micro Enterprise Loan Fund • Minority and Women Revolving Loan Trust Fund • Minority and Women-owned Business Lending (MWBL) Program • NYS Surety Bond Assistance Program (NYSBAP) • Regional Revolving Loan Trust Fund • Small Business Revolving Loan Fund (SBRLF) • Small Business Technology Investment Fund • Transportation Capital Assistance Program • Upstate Regional Blueprint & Downstate Revitalization Funds • Urban and Community Development Program (UCDP)	
North Carolina		
• Building Reuse and Restoration Grant • CDBG Economic Development Grant • CDBG Small Business & Entrepreneurial Assistance • Economic Infrastructure Program • Film Incentives (Grant program effective 1/1/2015)) • Incumbent Worker Training Program • Industrial Development Fund • Job Maintenance and Capital Development Fund (JMAC) Grants • One North Carolina Fund • Open Grants Program • Recycling Business Development Grants	• Capital Access Program (NC-CAP) • CDBG Economic Development Grant • Fund of Funds Program • Industrial Revenue Bonds • Loan Participation Program • North Carolina Microenterprise Loan Program (NCMLP)	• Customized Training Program • First Flight Venture Center
North Dakota		
• Agricultural Products Utilization Commission (APUC) • Event Match Grant • North Dakota Ethanol Incentive Program Summary • Workforce 20/20	• Agriculture Partnership in Assisting Community Expansion (Ag PACE) • Beginning Entrepreneur Loan Guarantee Program • Beginning Farmer Loan Programs (Revolving Loan Fund) • Biofuels PACE Program • Business Development Loan Program • Commercial Bank Participation Program • ENVEST Program (Value-Added Agriculture Equity Loan Program) • Established Farmer Real Estate Loan Program • Family Farm Loan Program • Farm and Ranch Participation Program • Farm Operating Loan Program • Farm Real Estate Loan Guarantee Program	

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
	• First Time Farmer Finance program • Flex PACE Program • Government Guaranteed Loan Purchase Program • Industrial Development Bond Program • Livestock Waste Management System Loan Program • Main Street Loan Program • MATCH program • North Dakota Development Fund • North Dakota Opportunity Fund • Partnership in Assisting Community Expansion (PACE) • Red River Angel Fund • Red River Corridor Fund Collateral Support Program	
Ohio		
• Economic Development Loan Program • Incubation Program • JobsOhio Workforce Grants • JobsOhio Economic Development Grant • JobsOhio Revitalization Grants • Ohio Coal Research and Development Program • Ohio Diesel Emissions Reduction Grant • Ohio's New Entrepreneurs (ONE) Fund • Open Innovation Incentive (OII) • Roadwork Development Account 629	• 166 Direct Loan (per job basis) • Alternative Stormwater Infrastructure Loan Program • Brownfield Revolving Loan Fund (RLF) • Commercial Acceleration Loan Fund (CALF) • Economic Development Loan Program • Energy Loan Fund • Industrial Development Bonds • Innovation Ohio Loan Fund • JobsOhio Growth Fund Loan • Microenterprise Business Development Program • Minority Direct Loan • Ohio Capital Access Program • Ohio Enterprise Bond Fund (OEBF) • Ohio Venture Capital Fund Program • OWDA Brownfield Loan Program • Regional 166 Loan Program • Research & Development Investment Loan Program • Targeted Investment Program (TIP) • The Collateral Enhancement Program (CEP) • Volume Cap Program	• Business Incentive Grant Servicing • Microenterprise Business Development Program • Minority Business Bonding Program • Small Business Development Centers of Ohio (SBDC)
Oklahoma		
• 21st Century Quality Jobs (up to 10% of taxable wages paid for new jobs for up to 10 years) • Automatic 5% Counties (enhanced benefits for quality jobs and small employer quality jobs programs) • Community Development Block Grant/Economic Development Infrastructure Financing (CDBG/EDIF) • Farm Diversification Grant • Industrial Access Road Program • Oklahoma Film Enhancement Rebate Act • Oklahoma Quick Action Closing Fund • Opportunity Zone (enhanced benefits for quality jobs and small employer quality jobs programs) • Quality Jobs Program (5% rebate of new payroll for up to 10 years) (enhancement for hiring veterans)	• Alternative Fuel Vehicle (AFV) Loans • Basic and Applied Research Loan/Grant • Cooperative Marketing Loan • Credit Enhancement Reserve Fund • Finance Authority Programs • General Obligation Limited Tax Bonds (GOLTBs)(property tax levied only if project generated revenues are inadequate) • GrowOK Fund • Industrial Revenue Bonds • Marketing and Utilization Loan • OKAngel Sidecar Fund • Oklahoma Capital Access Program • Oklahoma Seed Capital Fund • Private Activity Bond Allocation • Quality Jobs Investment Program • Rural and Affordable Housing Linked Deposit Program • Small Business Linked Deposit Program • StartOK Accelerator Fund • The Oklahoma Local Development and Enterprise Zone Incentive Leverage Act • Venture Investment Program	• Biofuels Construction and Permitting Assistance • Business Incubators • Existing Industry Initiative (EITP) (training services) • Safety and Health Training • Training For Industry Program (TIP)

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Small Employer Quality Jobs • Specialty Crop Grant • The Oklahoma Local Development and Enterprise Zone Incentive Leverage Act		
Oregon		
• Greenlight Oregon Labor Rebate (cash rebate for labor related to film or TV production) • Indigenous Oregon Production Investment Fund (cash rebate for film or TV productions) • Marine Navigation Improvement Fund • Oregon Production Investment Fund (cash rebate for film or TV production) • Oregon Trade Promotion Program • Port Planning and Marketing Fund • Special Public Works Fund Program	• Angel Funding • Aggie bonds • Brownfield Redevelopment Fund • Business Development Fund • Business Retention Program • Capital Access Program • Credit Enhancement Fund • Entrepreneurial Development Loan Fund • Industrial Development Revenue Bonds • Port Revolving Loan Fund • Small-Scale Energy Loan Program • Special Public Works Fund Program	• Business Retention Services Program
Pennsylvania		
• Alternative and Clean Energy Program • Ben Franklin Technology Development Authority (BFTDA) University Research Commercialization Grant Funding • Community Development Block Grant (CDBG) • Discovered and Developed in PA Program (D2PA) • Global Access Program (GAP) • High Performance Building Program • Industrial Sites Reuse Program (ISRP) • Keystone Communities Program • Keystone Innovation Network - Grants • Market Access Grant (MAG) • Multimodal Transportation Fund • Pennsylvania First Program (PA First) • Rail Freight Assistance (RFA) • Renewable Energy Program - Geothermal and Wind Projects • Solar Energy Program (grant based upon new jobs)	• Alternative and Clean Energy Program • Ben Franklin Technology Development Authority (BFTDA)- The Ben Franklin Technology Partners • Building PA • Business in Our Sites (BOS) Loans • Business Opportunities Fund (BOF) • City Revitalization and Improvement Zone (incremental state and local taxes collected in zone used to repay debt service for economic development projects) • Community Economic Development Loan Program (CED) • Export Finance Program (EFP) • First Industries Program • High Performance Building Program • Industrial Sites Reuse Program (ISRP) • Machinery and Equipment Loan Fund (MELF) • Neighborhood Improvement Zone (incremental state and local taxes collected in zone used to repay debt service for economic development projects) • New PA Venture Capital Investment Program • New PA Venture Investment Guarantee Fund • Next Generation Farmer Loan Program • Pennsylvania Capital Access Program (PennCAP) • Pennsylvania Community Development Bank Loan Program (PCD Bank) • Pennsylvania Economic Development Financing Authority (PEDFA Taxable Bond Financing) • Pennsylvania Economic Development Financing Authority (PEDFA Tax-Exempt Bond Program) • Pennsylvania First Program (PA First) • Pennsylvania Industrial Development Authority • Pennsylvania Infrastructure Bank (PIB) • Pennsylvania Minority Business Development Authority (PMBDA) • Pennsylvania Small Business Credit Initiative (SSBCI) • Pollution Prevention Assistance Account (PPAA) • Renewable Energy Program - Geothermal and Wind Projects	• Ben Franklin Technology Development Authority (BFTDA)- The Ben Franklin Technology Partners • Partnerships for Regional Economic Performance (PREP) • Pennsylvania Infrastructure Technology Alliance (PITA) • PennTAP • Powdered Metals • Workforce and Economic Development Network of Pennsylvania

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
	• Second Stage Loan Program • Small Business First (SBF)	
Rhode Island		
• Export Management Training Programs • Express Incumbent Worker Training Grants • Job Training Grants	• Brownfields Cleanup Revolving Loan Fund • Industrial Revenue Bonds (taxable and tax exempt) • Slater Technology Fund • Small Business Loan Fund	
South Carolina		
• Economic Development Set-Aside Program • Motion Picture Wage/Payroll and Expenditure/Supplier Rebates • Rural Infrastructure Fund	• JEDA Industrial Revenue Bond Program • JEDA Taxable Variable Rate Bond Program • Palmetto Seed Capital Fund • SC SSBCI Loan Participation Program • South Carolina Capital Access Program (SC CAP) • Venture Capital Investment	• Center for Accelerated Technology Training (CATT)
South Dakota		
• CDBG Workforce Training • Community Development Block Grants • Dakota Seeds Fund • Economic Development Partnership Program • Ethanol Infrastructure Incentive Program • Local Infrastructure Improvement Program • South Dakota Jobs Grant Program • Workforce Development Training Program	• Apex Loan Program • Bond Financing • Economic Development Partnership Program • Industrial Development Bonds • MicroLOAN South Dakota • Proof of Concept Fund (loan program) • Revolving Economic Development and Initiative (REDI) Fund • SBA 504 - South Dakota Development Corporation • South Dakota WORKS • Value-Added Agriculture Subfund	
Tennessee		
• Economic Development Community Development Block Grant Program • FastTrack Economic Development Fund • FastTrack Infrastructure Development Program (FIDP) • FastTrack Job Training Assistance Program (FJTAP) • State Industrial Access Program • Tennessee Film/TV Incentive	• FastTrack Economic Development Fund • Launch Tennessee • Private Activity Bonds • Rural Small Business and Entrepreneurship Loan Fund • Small Business Energy Loan Program • The INCITE Co-Investment Fund • TNInvestco Program	• Tennessee Job Service
Texas		
• Agricultural Biomass and Landfill Diversion Incentive • Chapter 380 (cities) and 381 (counties) Development Agreements • Defense Economic Adjustment Assistance Grant Program • Improvement Districts • Moving Image Industry Incentive Program • Texas Enterprise Fund	• Agricultural Loan Guarantee Program • Certified Capital Company (CAPCO) • Chapter 380 (cities) and 381 (counties) Development Agreements • Economic Development Bank • Economic Development Bank: Capital Access Program • Economic Development Bank: Industrial Revenue Bond Program • Economic Development Bank: Linked Deposit Program • Economic Development Bank: Product Development and Small Business Funds • Jobs for Texas Program: Texas Loan Guarantee Program • Jobs for Texas Program: Texas Small Business Venture Capital Program • Rural Economic Development and Investment Program	• Skills Development Fund • Skills For Small Business Program • Texas Capital Fund: Infrastructure Development • Texas Capital Fund: Real Estate Development

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• The Event Trust Funds - Major Events, Sports Racing, Events, Special Events • Young Farmer Grant Program	• Texas Agricultural Finance Authority: Agricultural Loan Guarantee Program • Texas Agricultural Finance Authority: Interest Rate Reduction Program • Texas Agricultural Finance Authority: Young Farmer Interest Rate Reduction • Texas Emerging Technology Fund • Texas Rural Investment Fund Program	
Utah		
• DWS Small Business Bridge Program • DWS Work Experience and Paid Internships • Economic Opportunity Grants • Industrial Assistance Fund (related to creation of high-paying jobs) • Motion Picture Incentive Program - cash rebate • On-the-Job Training (OJT) Program • Permanent Community Impact Fund • Recycling Market Development Zone Program • Rural Broadband Service Fund • Rural Fast Track Program (RFT) - based on new high-paying jobs • Technology Commercialization and Innovation Program (TCIP)	• Microenterprise Loan Fund • Permanent Community Impact Fund • Private Activity Bond Program • Recycling Market Development Zone Program • Revolving Loan Funds • Utah Capital Investment • Utah Small Business Loan Guarantee Program • Utah Small Business Loan Participation Program	
Vermont		
• Vermont Employment Growth Incentive (VEGI) • Vermont Sustainable Jobs Fund • Vermont Training Program	• Brownfields Revitalization Fund (BRF) Loan Program • Direct Loan Program • Early Stage Venture Capital Fund • Entrepreneurial Loan Program • Export Finance Program • Local Development Corporation Loans • Tax-Exempt Revenue Bond Program for Manufacturers • Vermont Agricultural Credit Corporation • Vermont Capital Access Program (VCAP) • Vermont Community Loan Fund • Vermont Small Business Loan Program • Vermont State Infrastructure Bank (SIB) • Vermont Sustainable Energy Loan Fund Programs	
Virginia		
• Clean Energy Manufacturing Incentive Grant Program • Coalfield Regional Opportunity Fund • Economic Development Access Program • Governor's Agriculture and Forestry Industries Development Fund (AFID) • Governor's Motion Picture Opportunity Fund • Governor's Opportunity Fund (GOF)	• Cash Collateral Program • Coalfield Regional Opportunity Fund • Economic Development Loan Fund (EDLF) • Industrial Development Bond Program • Loan Guaranty Program • Loan Purchase Participation Program • Small Business Environmental Compliance Assistance Fund • Small Business Micro-Loan Program • Southside Region Tobacco Capital Access Program (TCAP) • Technology Zones - local loan programs • VCEDA Revolving Loan Fund • Virginia Capital Access Program (VCAP)	

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Major Eligible Employer Grant (MEE) • New Jobs Program • Port of Virginia Economic & Infrastructure Development Grant • Rail Industrial Access Program • Small Business New Jobs Program • Small Business Retraining Program • Technology Zones - local grants • Tobacco Region Opportunity Fund (TROF) • Transportation Partnership Opportunity Fund • Virginia Economic Development Incentive Grant • Virginia Enterprise Zone (VEZ) Program - Job Creation Grants • Virginia Enterprise Zone (VEZ) Program - Real Property Investment Grants • Virginia Investment Partnership Grant Fund • Virginia Leaders in Export Trade (VALET) • Workforce Retraining Program		
Washington		
• Community Development Block Grants (CDBG) • Community Economic Revitalization Board (CERB) Program	• Bond Cap Allocation Program (Private Activity Bonds) • Brownfields Revolving Loan Fund • Collateral Support Program for Small Business • Community Economic Revitalization Board (CERB) Program • Craft3 Fund Loans • Forest Products Revolving Loan Fund • Linked Deposit Program (LDP) • Rural Washington Loan Fund • W Fund • Washington Economic Development Finance Authority - Industrial Revenue Bond program	• Washington State Job Skills Program (JSP) • Work Start
West Virginia		
• Flex-E-Grant • Governor's Community Participation Grant Program • Governor's Guaranteed Work Force Program • Local Economic Development Grant Program • Research and Commercialization Grant Program • Small Cities Block Grant Fund • Tourism Matching Advertising Partnership Program • West Virginia Infrastructure and Jobs Development Council	• Direct Loan Programs • Indirect Loans (loan insurance program) • Industrial Revenue Bonds • Linked Deposit Loan Program • Loan Insurance Program (WVEDA) • West Virginia Venture Capital • WVCAP Collateral Support Program • WVCAP Loan Guaranty Program • WVCAP Seed Capital Co-Investment Fund • WVCAP Subordinated Debt Program	• Special Rates of Electric Power for Industrial Customers set by West Virginia Public Service Commission • The Workforce Investment Act (WIA) Program • West Virginia Advance Program • WorkKeys Career Readiness Certificates
Wisconsin		
• Brownfield Program • Capacity Building Grants • Dairy 30x20	• Agribusiness Guarantee • Business Opportunity Loan • Angel and Early Stage Seed Investment Tax Credits	• Entrepreneurial Training Program (ETP)

Other Incentive Programs		
Grants	**Financing Tools**	**Provision of Services**
• Disadvantaged Business Enterprise (DBE) Program • Early Planning Grant (EPG) • Freight Rail Preservation Program (FRPP) • Training Grants • Transportation Economic Assistance (TEA)	• Capital Access Program • Community Development Block Grant Revolving Loan Fund • Contractors Loan Guarantee (CLG) • Credit Relief Outreach Program (CROP) • Drought Relief Guarantee Program • Early Stage Business Investment Program • Farm Asset Reinvestment Management Program (FARM) • Freight Rail Infrastructure Improvement Program (FRIIP) • Industrial Revenue Bonds • Linked Deposit Loan Subsidy • Neighborhood Business Revitalization Guarantee (NBRG) • Qualified New Business Venture Program • Special Project Loan Fund • Tax-Exempt Bond Financing • Wisconsin Equity Investment Fund • Wisconsin Small Business Guarantee (WSBG) • Wisconsin Venture Debt Fund	• Wisconsin Main Street Program
Wyoming		
• Business Ready Committed Program • Managed Data Center Cost Reduction Grant Program • Trade Show Incentive Grant Program • Workforce Development Training Fund	• Economic Development Large Project Program (State Treasurer Loan Program) • Industrial Development Revenue Bonds • Industrial Development Bonds (State Treasurer Direct Purchase Bonds) • Small Business Investment Credit Program • WSCN Collateral Support Program • Wyoming Partnership Challenge Loan • Wyoming Partnership Bridge Loan • Wyoming Partnership Guaranteed Loan Participation • Wyoming Main Street Loan Program • Wyoming Smart Capital Fund • Women's Business Center Microloan Program	

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