Benchmarking Analysis for the Motor Vehicle Industry

June 23, 2009

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Prepared For:

Centralina Council of Governments & Centralina Economic Development Commission

Supported, In Part, By:

The US Department of Commerce, Economic Development Administration

Executive Summary

The benchmarking research presented in this report is conducted as part of a comprehensive study titled "Characterizing the Automotive and Motorsport Industry Supply Chain in the Greater Charlotte Region of the Carolinas" sponsored by Centralina Council of Governments.

Knowledge of policies, incentives and programs related to the automotive and motorsports industries is not only essential to better understand the needs of the businesses, but also can help to retain and further grow these industries in the Greater Charlotte Region and North Carolina.

The primary goal of this report is to identify the practices and policies that leading automotive and motorsports states are currently implementing to help with the development of these industries in their regions. A gap analysis is provided to list those incentives and programs utilized in other states leading the motor vehicle industry that are currently not implemented in North Carolina. The report also provides an overview of the current automotive landscape for some of the major motor vehicle producing countries from Asia, Europe, and the Americas.

The scope and size of the motor vehicle supply chain is fully analyzed in companion reports on a direct survey and the economic impact of the industry. The supply chain is characterized in the region by major and minor players and is a crucial in understanding the total impact of the industry. The web of suppliers providing Original Equipment Manufacturers (OEMs) like Daimler Trucks, with parts is extensive and complicated. Both suppliers with a motor vehicle focus such as Meridian Automotive Systems and suppliers without a motor vehicle focus like Wix Filtration provide parts to OEMs, service providers and motorsports teams. Transporters, like Auto Truck Transport Corp, connect the web together with the movement of materials, parts, and unfinished products. Merchant wholesalers, represented regionally by a full range of businesses from very large such as International Automotive to small such as Consolidated Alloys, link the OEMs to retailers and distributors. The supply chain constitutes the backbone of the motor vehicle industry and is necessary for the continued success and growth of the industry.

The findings of this study indicate that North Carolina is well positioned in the domestic automotive industry with supplier networks, resources, workforce availability and an excellent transportation capability, enabling great potential opportunities to the continued growth of the industry in this region. Half of the incentive and development programs identified for the automobile industry in comparative states are employed in North Carolina. All of the incentives and strategies identified for the motorsports industry are employed in North Carolina. Continuation of existing economic development tools and implementation of additional programs may favor the growth of new and existing automotive and/or motorsports industries in the state.

A global look at the motor vehicle industry shows that production of motor vehicles is clustered in the primary developing and developed countries of China, Japan, the European Union, Canada and the United States. The European Union, Canada and United States offer comprehensive incentives and programs for the industry and a relationship between incentives and global production share is not indicated. The United States has primarily focused on resource capacity, workforce availability, suppliers and transportation networks as a way to maintain and/ or expand the automotive and motorsports industries.

Acknowledgements

This report has been written under the guidance of Dr. Ertunga C. Ozelkan, Assistant Professor of Systems and Industrial Engineering and Associate Director of Center for Lean Logistics and Engineered Systems. The Centralina Council of Governments provided the funding for this research. The report was supported, in part, by the US Department of Commerce, Economic Development Administration. Special thanks to Ms. Laura Mundell (Director of Community and Economic Development, Centralina Council of Governments) for her support throughout the project. We would like to acknowledge the following individuals who contributed for the research presented and helped in the preparation of this report. Some of the individuals listed below earned course credits for their contribution or received sponsorship through the Systems Engineering and Engineering Management Program as part of the Research Experiences for Undergraduates (REU) program.

Patricia Socias Aponte (Reporting and Analysis)
Stuart P Hair (Reporting and Analysis)
Jemshaid (Jimmy) Shams (Global Automotive Overview)
Ismail Can (John) Yagci (Benchmarking of initiatives in US and other countries)
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1. Introduction and Scope

1.1. Motor Vehicle Industry Landscape

The motor vehicle industrial landscape, like many other industries, has been reshaping geographically, functionally, and operationally. Emerging automotive industries in Asian, Central and Eastern European, and South American countries increases competition and forces the existing players to be more efficient. The economic transformation which began with the sub-prime mortgage crisis of 2008 is dramatically affecting the whole economy and the motor vehicle industry specifically.[1] [2] Over 5 million jobs were lost from December 2007 through March 2009 with manufacturing shedding 1.5 million jobs, 60 percent of that loss occurring since November 2008.[3] The more developed industries of the United States and Western Europe are relocating and migrating to regions where labor and resource costs are lower. These new locations are either within the country (southern United States), within a continent (Central and Eastern European countries), or transcontinental.[4]

The motor vehicle and parts manufacturing industry continues to be one of the largest employers in the country and a major contributor to the domestic economy. Motor vehicle and parts manufacturing provides 1.1 million jobs, among the largest of the manufacturing industries, with 33,000 of those jobs in North Carolina[5]. The industry is weighted heavily towards the supply chain down stream with the majority of jobs (61%) in motor vehicle parts firms and 23% employed in firms assembling complete motor vehicles. The industry is traditionally located in Michigan, especially the Detroit area, an increasing number are located in other parts of the country, particularly the South.[6]

Since the early days of motor vehicle manufacturing, supply chains have served as a crucial piece of the total impact of the industry. As illustrated in Figure 1, the web of suppliers providing Original Equipment Manufacturers (OEMs) with parts can be extensive and complicated. Multiple suppliers and multiple levels of suppliers are necessary for each finished motor vehicle and suppliers can provide parts to multiple OEMs. Suppliers may, also, provide parts to industries not directly related to motor vehicles, such as a glass manufacturer making home and car windows. A shift is occurring in the balance between OEMs and suppliers

[1] Goodman, P. & Healy, J. (2009, April 4). 663,000 Jobs Lost in March; Total Tops 5 Million. *The New York Times*, sec. A, p. 1, accessed at http://www.nytimes.com/2009/04/04/business/economy/04jobs.html.

[2] Terlep, S. (2009, April 27). GM To Cut 21,000 Hourly Jobs, Eliminate Pontiac Brand. *The Wall Street Journal*, accessed at http://online.wsj.com/article/BT-CO-20090427-709022.html.

[3] Hall, K (2009, April 3). *Bureau of Labor Statistics Commissioner statement before the Joint Economic Committee*. Washington, DC: United States Congress, accessed at http://www.bls.gov/news.release/jec.nr0.htm.

[4] Maynard, M. & Burnkley, N. (2006, December 5). As Auto Prosperity Shifts South, Two Towns Offer a Study in Contrast. *The New York Times*, accessed at http://www.nytimes.com/2006/12/05/business/05cities.html?fta=y.

[5] U.S. Census Bureau. (2002). *2002 Economic Census.* Washington, DC: U.S. Department of Commerce, accessed at http://www.census.gov/econ/census02/guide/02EC_NC.HTM.

[6] Bureau of Labor Statistics. (2009). *Career Guide to Industries, 2008-09 Edition, Motor Vehicle and Parts Manufacturing*. Washington, DC: U.S. Department of Labor, accessed at http://www.bls.gov/oco/cg/cgs012.htm.

partially due to consolidation and declining margins.[7] The supply chain remains a vital component of the motor vehicle industry and their fiscal stability is necessary for the continued success and growth of the industry.[8]

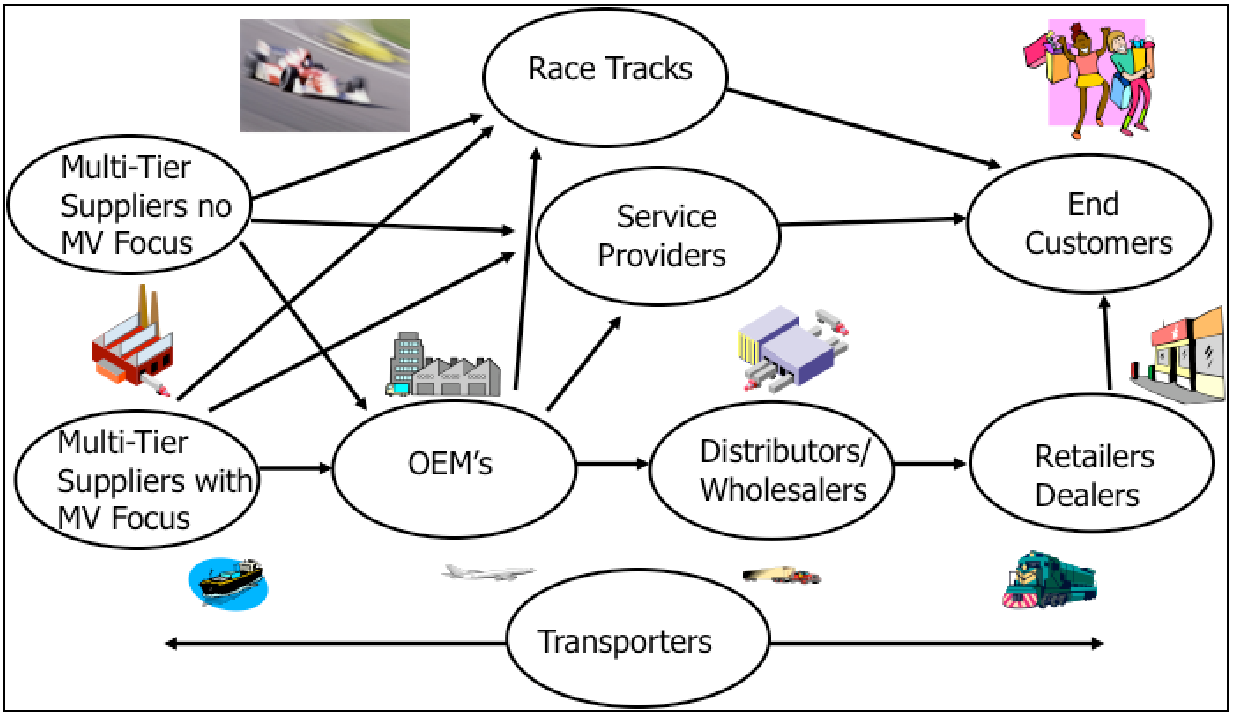

Figure 1: Motor Vehicle Supply Chain Major Players

Changes in employment levels illustrate the dramatic transformation of the industry with the emergence of alternate fuel vehicles, shrinking product design cycle times and the worldwide implementation of lean production practices. Over the next decade, wage and salary employment in the motor vehicle and parts manufacturing industry is expected to decline by 14% compared with 11% growth for all industries combined. Productivity improvements will enable manufacturers to produce more vehicles and parts with fewer workers allowing more automobiles and light trucks projected to be manufactured in the U.S. over this period. As foreign-based manufacturers gain market share domestically, employment in the parts industry will be affected because these companies generally import more of their parts than the domestic manufacturers. Contract employment (considered workers in the employment services industry and thus are not counted in this industry) is increasing in an effort to reduce costs for temporary workers are less costly to hire and lay off than are permanent employees enabling quick production volume changes. Expanding factory automation, robotics, efficiency gains, and the need to cut costs will cause nearly all production occupations to decline, with the decline concentrated in lower skilled positions. Administrative employment will decline as the number of

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[7] Song, J & Yao, D. (2001). *Supply Chain Structures: Coordination, Information and Optimization.* New York: Springer.
[8] Marr, K & Whoriskey, P. (2009, March 20). Auto Parts Makers Get $5 Billion Lifeline. *The Washington Post*, Page D01, accessed at http://www.washingtonpost.com/wp-dyn/content/article/2009/03/19/AR2009031901597.html.

production workers, who these workers manage, supervise and support, decline. The need to streamline production and reduce costs may increase demand for industrial production engineers. Overall motor vehicle employment is expected to decline over the next decade due to continued productivity improvements and more foreign outsourcing of parts.[5]

1.2. Motorsports Industry Landscape

The motorsports industry is a diverse, loosely connected industry characterized by a diversity of compensation, employment levels and supply chain structure and no national level analysis of the industry has been conducted. Motorsports is not classified as a separate NAICS industry; if such a classification existed, it is estimated that motorsports would rank as the 30th largest industry in North Carolina. The total economic impact of the motorsports industry is over $5 billion with total direct spending by motorsports-related firms of almost $3.2 billion. The industry generated a total of 25,000 jobs in North Carolina with direct employment consisting of 12,000 jobs.[9] Employment in the industry is hierarchically organized with some very highly compensated professional drivers, direct race team employment for professionals, engineers and technicians and extensive supplier networks. Many of the motorsports industry suppliers also supply the motor vehicle industry and motor vehicle OEMs traditionally provide support and materials to race teams. The industries have numerous interconnections, overlapping processes and are largely part of the same industrial landscape. Due to these linkages, it is appropriate to consider the motor vehicle and motorsports industry within this single benchmarking report.

1.3. Benchmarking

Benchmarking, also referred to as "best practice benchmarking" or "process benchmarking", is the evaluation of various existing process or programs aspects within a given organization to the best practices of other organizations, usually within a peer group defined for the purposes of comparison. The evaluation allows the development of improvement plans or adoption of best practice, to increase some aspect of organizational performance. Benchmarking is undertaken by a large majority of businesses and organizations for a variety of applications and utilizing varied methods.[10] Within this report, we utilize an academic methodology as detailed in the Scope section.

[9] Connaughton J. [et al.] (2004). *The Economic Impacts of the Motorsports Industry On the North Carolina Economy [Report]*. Charlotte: Belk College of Business Administration University of North Carolina at Charlotte.

[10] Centre for Organisational Excellence Research. (2008). *Report Showing The Findings From A Global Survey On Business Improvement And Benchmarking*. Written on behalf of the Global Benchmarking Network, accessed at http://www.bpir.com/component/Itemid,143/option,com_mojo/cat,5/.

1.4. Scope

The purpose of this report is to investigate the current state of the motor vehicle industries in the United States, as well as provides an overview of the domestic motorsports industry and automotive industry around the world. The motor vehicle industry incorporates the automotive, motorsports, truck and other related industries. Within the United States, motor vehicle overviews of representative states from the Northeast, Midwest, South, and West as well as a benchmark of practices, policies and current developments related to these industries are given. At the global level, major and representative countries from Asia, Europe, North America, and South America are studied to provide an overview of the global industry's economic status and growth capacity.

The report began with a review of relevant academic literature and mainstream media providing a historical context to the analysis and understanding of the current state of the industry. The literature and media reports are cited through out the report and are the foundation of the benchmarking process. A subsequent review of state economic development websites provided the source information comparatively analyzed. This state level information and further global information enabled a gap analysis of economic development incentives and programs. The literature review and gap analysis are the basis of the Recommendations and Conclusion section. The detailed state information is included in the Appendix.

2. Motor Vehicle Industry within the United States

Motor vehicle policies, incentives and programs currently practiced within the United States are sampled in this section. Consistent with comparative analysis and the benchmarking process, a sample of states involved in the motor vehicle industry was selected. The following 15 U.S. states (Figure 2) are sampled: Alabama, California, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Texas and Virginia. Providing geographic, demographic and industrial structure diversity, Fastest Growth in Automotive Manufacturing (Table 1) was utilized as the primary criterion for inclusion in the sample. Three additional selection criteria for the sample were considered: Total Automotive GDP by State (Table 2), Automobile Manufacturing Jobs (Table 3) and % of State GDP by Automotive Manufacturing (**Error! Reference source not found.**). Other states could reasonably have been included in this study based on the secondary selection criteria but were excluded due to their lack of diversity from the included sample and similarity of their policies, incentives and programs. Other excluded states, such as Louisiana with it "Quality Jobs Program", offer very unique policies and special programs for the automotive and/or motorsports industries that do not directly compare to the sampled states programs. Table 4 provides a regional summary of the economic geography of the motor vehicle industry for the United States, with special emphasis on the 12 selected states.

Figure 2: States Included in the Benchmarking Study

Table 1: U.S. States That Show the Fastest Growth in Automotive Manufacturing[11]

Rank	State
1	Indiana
2	Alabama
3	Kentucky
4	Missouri
5	California
6	Georgia
6	Texas
8	South Carolina
9	Mississippi
10	Virginia

[11] *Ward's Automotive Yearbook (2006 edition).* New York: Ward's Automotive Group, a division of Penton Media Inc., accessed at http://wardsauto.com/.

Table 2: Automotive GDP by State[12]

	2000	2001	2002	2003	2004	2005	2006	AVG (96-06)	RANK
MI	36,557	32,294	37,735	38,645	29,438	27,248	23,479	29,219	1
OH	20,735	17,822	19,856	18,645	18,859	17,666	17,778	16,947	2
CA	8,542	12,794	12,880	12,058	12,005	13,072	14,965	11,234	3
IN	12,498	10,830	13,431	16,081	12,947	11,762	12,397	10,974	4
WA	9,323	9,513	9,288	9,571	9,143	11,485	10,665	8,359	5
TX	7,365	8,253	9,485	8,628	7,882	9,079	9,918	7,247	6
KY	5,884	5,715	5,222	6,068	6,028	6,068	6,105	6,231	7
MO	6,159	5,773	6,138	6,406	6,766	6,722	5,364	5,520	8
TN	4,756	4,087	4,653	5,267	5,416	5,623	5,905	4,503	9
GA	5,885	3,989	5,001	4,036	4,471	4,437	5,823	4,426	10
CT	3,841	4,361	4,514	4,438	5,004	5,090	6,550	4,028	11
KS	5,290	5,193	4,857	3,702	3,749	3,540	5,288	4,020	12
AZ	3,545	6,180	3,513	3,698	3,253	4,202	4,512	3,686	13
IL	4,608	3,677	4,366	3,680	3,641	3,413	3,742	3,673	14
NY	3,971	3,325	4,369	3,994	3,455	3,766	3,518	3,382	15
FL	4,489	2,829	3,257	2,631	3,354	3,484	3,722	3,366	16
PA	3,957	3,680	3,531	3,211	3,489	4,028	4,756	3,349	17
WI	4,300	3,350	4,020	3,788	3,923	3,243	3,414	3,203	18
VA	3,181	3,164	3,733	3,422	3,791	4,554	4,370	3,130	19
AL	2,534	2,335	2,944	3,603	4,115	4,750	5,112	2,894	20
NC	2,651	2,476	2,740	2,637	2,818	3,083	3,365	2,400	21
SC	2,098	2,206	2,703	2,749	2,941	2,911	3,133	2,218	22

Table 3: Automobile Manufacturing Jobs, in thousands[13]

Geography	1986	2006	% Change
United States	1175.8	1071.2	-9
MI	327.5	216.0	-34
OH	157.2	131.9	-16
IN	104.8	125.6	20
TN	33.5	54.1	61

[12] Regional Product Division, Bureau of Economic Analysis, (2006). *Gross Domestic Product by State: Motor vehicle, body, trailer, and parts manufacturing & other transportation equipment manufacturing.* Washington, DC: U.S. Department of Commerce, accessed at http://www.bea.gov/regional/gsp/.

[13] Maynard, M. & Burnkley, N. (2006, December 5). As Auto Prosperity Shifts South, Two Towns Offer a Study in Contrast. *The New York Times*, accessed at http://www.nytimes.com/2006/12/05/business/05cities.html?fta=y.

Geography	1986	2006	% Change
KY	21.0	52.9	152
CA	51.3	40.3	-21
IL	38.8	39.6	2
AL	16.6	34.5	108
MO	30.9	33.1	7
TX	26.6	32.2	21
NC	22.8	29.8	31
SC	12.4	25.4	105
WI	31.8	23.6	-26
NY	48.6	23.2	-52
GA	22.3	22.0	-1
PA	33.5	22.0	-34
IA	10.4	19.4	87
VA	11.1	15.3	38
MS	10.3	13.2	28
OR	5.7	12.8	125
OK	11.8	11.7	-1
FL	11.1	11.5	4

Table 4: US Regional Summary of the Motor Vehicle Industry

Region	State	Facts and Developments
NORTHEAST		Suppliers and assembly plants dispersed widely along the coastline. In general, automotive companies have avoided this region due to its high unionization rates and generally higher costs for resources and labor.
MIDWEST		Traditional automotive manufacturing hub and the root of American automotive industries. International automotive companies have also created strongholds in this area, with some states housing facilities for more than ten major automotive companies. However, the continued saturation of the regions resources, increasing competition and prices has lead to the relocation of several of these facilities.
	IL	• 4 of Illinois top 10 manufacturing businesses are involved directly in the motor vehicle industry.[14] • As of 2007, Illinois' auto industry employs over 37,300 people in more than 500 auto-manufacturing establishments, most notably DaimlerChrysler Corp. and Ford

[14] Illinois Department of Commerce and Economic Opportunity. (2008). *Manufacturing in Illinois* [report]. Chicago, IL, accessed at http://www.commerce.state.il.us/NR/rdonlyres/1357C591-2810-4228-A334-E8B55EF1288D/0/Manufacturing.pdf.

Region	State	Facts and Developments
		Motor Corp. • Ford's assembly plant on Chicago's South Side commenced 2008 production of the Taurus, Taurus X, and the Mercury Sable. • The Chrysler Group invested $400 million in its Belvidere assembly plant, which will build - among others - the Dodge Caliber and the Jeep Compass. A new second shift will result in employment of 2,650 people.
	IN	• Automobile assembly has steadily increased over the past several years. • The building of the Honda plant in Decatur County has helped bring in around 3,000 jobs, as well as brought good news to surrounding auto suppliers.[15] • Focus has been put into creating a stronger motorsports economy, which would result in more jobs and investments. • In 2006, three automotive projects started: Toyota Camry, Honda Civic, and Cummins'. • By 2007 Chrysler built the world's largest independent transmission manufacturer as a joint venture with Getrag. The project would bring in about 1,400 job positions.[16]
	MI	• The annual auto related R&D expenditure averages $10.7 billion and provides about 65,000 engineering and technical jobs statewide. • Nine of the world's ten largest original equipment manufacturers (OEMs) have research, product development, or production facilities located in this state. • Ford has considered making additional investments in a hybrid-vehicle engineering facility, which will help bring in about 13,000 jobs. These investments are likely to exceed $1 billion in the next five to seven years.[16]
	MO	• The three major American automakers have had locations in the state for many years concentrated around St. Louis and Kansas City metro areas.[17] • The Dodge Ram, Chrysler Caravan, Ford Escape, GMC Savana and Chevrolet Express are assembled in Missouri. • Parts manufacturing is 68% of the motor vehicle employment in the state and 1.6% of total state employment.
	OH	• Automotive industry comprises 15% of Ohio's private-sector economy with General Motors, Honda, Ford, Delphi, and Daimler Chrysler leading the way.[18] • General Motors and Ford have both announced additional investments in their Ohio facility totaling at about $500 million and creating almost 3000 more jobs. • The automotive industry continues to grow and may raise the top producer from its current second to Michigan standings.[16]
SOUTH		The automotive industry has been moving southward. The generally lower costs for resources, labor, and living as well as the available resources are attracting newcomers to this area. Over the past ten years the South has begun to grow with domestic and foreign companies relocating or expanding. Employment has been increasing as

[15] Rogers, C. (2006, August). Automobile Assembly in Indiana. *InContext, Vol. 6 No. 8*.

[16] Schantz-Feld, M. R. (2007, Oct/Nov). North American Automotive Industry Continues to Deliver. *Area Development Site and Facility Planning*, accessed at http://findarticles.com/p/articles/mi_qa5387/is_200710/ai_n21298734.

[17] Business and Community Services. (2007). *Targeted Industry Reports: Automotive*. Jefferson City, MO, accessed at http://www.missouridevelopment.org/upload/automotive.pdf.

[18] Council of American States in Europe. (2007). *Ohio Automotive Industry* [webpage]. Frankfurt am Main, accessed at http://www.case-europe.com/stateindustries/stateindustry/AutomotiveOhio,35.aspx.

Region	State	Facts and Developments
		facilities are built, and local suppliers expand to meet the needs of this movement.
	AL	• It holds operating vehicle assembly plants for Mercedes-Benz, Honda and Hyundai, as well as building manufactures for Toyota and International Diesel engines. • In 2007, this state had the top export of motor vehicles at over $5.4 billion, which is equal to 38% of the state's total exports. • There are more than 90 automotive suppliers in Alabama, serving Hyundai, Honda, or Mercedes. • It ranks 5th in the United States for car and light truck production. • The automotive industry in this state accounts for approximately 130,000 direct/indirect jobs, as of 2007.[19]
	GA	• In 2006, it was landed a huge investment from Kia Motors Corp.'s for their first U.S. manufacturing facility, a $1.2 billion investment that will create approximately 2,800 jobs as well as an additional 2,600 supplier jobs. Testing operations began in May 2008 and they hope to reach full production by 2009. • Home of about 300 parts manufacturers and suppliers, and eight automotive company headquarters. [16]
	KY	• This state has focused on automotive suppliers and manufacturers. • The automobile industry represents about 3.93% of the state's gross domestic product.[20] • Facilities within the state include passenger cars such as Toyota Camry and Ford's heavy duty F-series and SUV Explorer. • Kentucky ranks third in the total production of cars and light trucks.[16]
	MS	• Automotive industry relies heavily on Toyota's new $1.3 billion manufacturing plant in Blue Springs. This plant is likely to employ about 2,000 people when it opens in 2010 to start manufacturing 150,000 Highlander crossover utility vehicles annually.[21] • Toyota has already built an Auto Body in North Mississippi, becoming the first supplier in the Blue Springs area. They invested around $180 million on this Auto Parts Manufacturing plant, but it will provide Toyota with stamped parts, plastic parts and body weld parts. • Toyota invested $80 in Itawamba County to supply its assembly plant, the Toyota Motor Manufacturing Mississippi, with seats, door panels, and carpet.[16]
	NC	• In 2004 the automotive industry total contribution to Gross State Product was about $6B with a total output effect of $20B. NC is ranked 10th among the states in automotive cluster employment.[22] • Strong financial and transportation networks as well as the motorsport recreations

[19] Economic Development Partnership of Alabama. (2007). *Alabama Automotive Industry*. Birmingham, AL, accessed at http://www.edpa.org/docs/automotive-industry-profile.pdf.

[20] Division of Research and Site Evaluation. (2007). *Kentucky Automotive Industry Profile*. Frankfort, KY: Kentucky Cabinet for Economic Development, accessed at http://www.secat.net/docs/resources/KY_Auto_Industry05.pdf.

[21] International Trade Administration. (2007). *The Road Ahead for the U.S. Auto Market*. Washington, D.C.: U.S. Department of Commerce, accessed at http://www.ita.doc.gov/wcm/groups/internet/@trade/@mas/@man/@aai/documents/web_content/auto_reports_roadahead.pdf.

[22] Department of Commerce. (2009). *North Carolina Automotive, Truck and Heavy Equipment Brochure.* Raleigh, accessed at http://www.nccommerce.com/NR/rdonlyres/B5AA7235-B969-42A0-AD48-489175BB1C24/0/Auto4page.pdf.

Region	State	Facts and Developments
		offer benefits to the motor vehicle industry • NC has over 1000 automotive suppliers (Trucks, busses and heavy equipment - Freightliner, Caterpillar, aftermarket, racing and motorsports and OEMs)[16] • Military-related industries including military motor vehicles are one of the biggest investor in this state with $18 billion in companies such as Force Protection Inc.[16] • NC has been ranked no. 1 in "business climate" among all US states during 6 of the last 7 years, with one of the lowest unionization rate in the US and low employment costs.
	SC	• One of the newer automotive centers of the United States, though Michelin initially invested in 1973, • South Carolina has grown to a strong automotive center with over 200 suppliers including Bosch, Draexlmaier, Hella, Magna, Plastic Omnium and ZF. • BMW chose this state as its first full manufacturing facility. • It seems to be the rising automotive center for the South.[16]
	TN	• Most of this industry is concentrated in central and Eastern Tennessee with facilities located in 43 out of the 95 Tennessee counties.[23] • Tennessee is the 5th largest producer of cars & 9th largest in light truck manufacturing. • Initial US production facilities for Nissan, Saturn & Volkswagen are located in the state. • Transportation equipment is the largest manufacturing export from Tennessee, making up one fourth (25%) of total manufacturing exports.
	TX	• Late 2006, Toyota invested $850 million on a new manufacturing facility in San Antonio. This new plant brought additional jobs to the state, increasing residential developments.[24] • Both GM and Toyota plants existing in Texas are light truck plants and generating employee for more than 24,000 people. • Texas has a great potential for automotive developments because of its location (within 500 miles of most of the world's major U.S., European, and Asian automakers and Mexico), workforce availability and competitive salaries and wages.[25]
	VA	• Not a big center but is home to more than 180 manufacturing or parts facilities. • Ford, Volvo and Mack have assembly facilities in this state. • Dynax America Corp. a supplier for Mazda, Nissan. Ford will increase its facility capacity with an $11.7M investment. • Toyota with a continued emphasis on localization has built several parts facilities in western Virginia.[16]
WEST		The automotive industry is relatively inactive in the western United States, with the exception of California.
	CA	• California holds New United Motor Manufacturing Inc. (NUMMI), a joint venture by General Motors Corp. and Toyota employing 5,440 workers. It has been known

[23] Tennessee Department of Economic & Community Development (2008). *2008 Tennessee Guide to Transportation Equipment.* Nashville, TN, accessed at http://www.tnecd.gov/pdfs/Transportation%20EquipFINAL.pdf.
[24] Information San Antonio. (2009). *Toyota Texas Manufacturing Plant San Antonio* [webpage]. San Antonio, TX, accessed at http://www.informationsanantonio.com/toyotasanantonio.htm.
[25] TIP Strategies Inc. (2003). *Texas Automotive Industry Profile* [report]. Austin, TX, accessed at http://site.tipstrategies.com/Texas_Automotive_Profile.pdf.

Region	State	Facts and Developments
		to be the home of the world's largest concentration of manufacturer design studios representing automakers from all over the world.[16]

The descriptions of the policies, incentives and programs offered in this report were accessed from each state's official website. Mass media news articles are utilized to supplement those descriptions due to the rapidly changing economic landscape. References to the information sources are listed accordingly throughout the report and in Appendix.

2.1. Automotive Industry Initiatives in Selected States

The government initiatives that the selected states offer in order to grow and retain the automotive industry in their states are presented in this section. Table 5 provides an overview of each of the example state's programs and incentives for the automotive industry. Based on the specific programs and incentives detailed in Table 5, thirteen distinct types of state-specific automotive industry support programs and initiatives were identified. Additional federal support programs were identified and are available throughout the United States. Table 6 is a tabular comparison of the thirteen types offered in the selected states. Many states have some very competitive and unique initiatives that may warrant further analysis, for this study each of the identified types were offered in more than one state. The Appendix contains a detailed discussion of the individual offerings summarized in Table 5 and Table 6 along with the sources of information.

Table 5: Automotive Industry Programs and Incentives in Selected States

State	Programs and Incentives
AL	• Offers various tax deductions and credits. • Offers employer education and training tax credit. • Offers industrial development programs. • Offers workforce development programs.
CA	• Offers various tax deductions and credits • Offers employer education and training tax credit. • Offers industrial development programs. • Offers workforce development programs. • Tax incentives for various enterprises and types of manufacturing. • Provides tax credits for R&D.
GA	• Offers various investment and manufacturing tax credits and exemptions. • Tax incentives to establish and maintain corporate headquarters within the state. • Provides tax credits for R&D.
IL	• Offers grants for expansion or relocation projects • Tax incentives for location or expansion projects • Increased tax incentives for larger projects & those locating in enterprise zones • Employee training & retraining support provided

State	Programs and Incentives
IN	• Focuses on growing new businesses by promoting entrepreneurship activities. • Offers programs designed to help individuals develop better job and career skills. • Offers grants to boost training. • Focuses on integrating economic development and workforce development for job creation. • Promotes entrepreneurship. • Promotes broadband access to accelerate communication, education and economic development. • Develops transportation, distribution, and logistics capabilities for economic growth.
KY	• Offers tax incentives for new and expanding manufacturing projects that create new full-time jobs. • Additional tax incentives when invested in the targeted areas. • Tax credits towards the construction, rehabilitation or improvement of facilities to manufacture new products. • Offers business loans to encourage economic development, business expansion, and job creation. • Provides tax credit for investment in facilities used to pursue research. • Electric and gas utility companies regulated by the Kentucky Public Service Commission offer special discount rates for large manufacturers.
MI	• Free One-on-one Counseling Program. • Encourages property redevelopment and rehabilitation • Loans and access to capital from public and private sources. • Supports employee training. • Offers tax credits for technical development spending. • Maintains Manufacturing Technology Centers and Technical Education Centers.
MO	• Tax credits for new or expanding businesses • Tax abatement in special “urban redevelopment” areas • Quality jobs program for training including customized training & retention training • Infrastructure financing program
MS	• Tax credits job creation and sustaining jobs • Tax credits for companies expanding within the state • R&D job tax credits. • Credit for establishing or transferring company headquarters into the state • Up to 50% tax credit available for training and educating the workforce. • Property tax exemption on land, building, equipment and certain inventory is available and is valid for up to 10 years. • Payroll percentage rebate program to qualified employers for significant job creation projects, for a period of up to 10 years.
NC	• Tax credits and credit carry-forwards up to 25% of the value of an investment. • Additional tax incentives when invested in targeted areas. • Extensive business counseling services. • Many workforce training and educational programs.
OH	• Assistance with locating, hiring and training employees. • Grants for spending in technological improvement and research. • Offers loans to support innovation. • Provides grants for the development and growth of the advanced energy industry. • Offers tax credits for creating and retaining new jobs, and training. • Tax credits and grants for R&D and manufacturing machinery. • Provides real and personal property tax incentives for businesses that expand or locate in Ohio.

State	Programs and Incentives
SC	• Offers tax incentives for investments, as well as many bond programs. • Direct, revolving loan programs and guaranteed loans for rural business and industry projects • Programs promoting the growth and development of small and minority owned businesses • Counseling services as they encourage regional and national cooperation
TN	• Aggressive low tax burden • Fast track development process • Job skills discretionary fund for workforce training • Tax credit based on capital investment & job creation numbers with increase values for rural development, very large projects or suppliers • Headquarters & Industrial machinery tax credits
TX	• Provides small business development centers to assist and consult small companies. • Offers a good business climate, long-term cost advantages and available high-quality labor. • Offers various grants. • Offers small business administration loans.
VA	• Offers a stable and competitive tax rate. • Offers state-funded customized technical training and recruitment • Tax credits for job creation and investment in economically stressed areas • No franchise or net worth tax • Customized recruiting and training assistance to companies that are creating new jobs or experiencing technological change.

Table 6: Comparison of Selected US States' Automotive Industry Incentives and Programs

Incentives And Programs	AL	CA	GA	IL	IN	KY	MI	MO	MS	NC	OH	SC	TN	TX	VA
Wage Rebates For Creating Well-Paid Jobs	X				X	X			X		X				
Automotive Industry Tax Credits	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Industrial Property Tax Exemptions	X					X	X	X	X	X	X	X			
Facility Expansion, Restoration Or Improvement Tax Abatement	X	X		X		X	X	X	X		X	X		X	
Advanced Skills And Training Support		X		X	X		X	X	X	X	X	X	X		
Improved Energy Efficiencies Support		X						X	X	X		X			
New Environmental Technologies Support	X	X	X		X	X	X		X		X			X	
Greater Incentives To Automotive Suppliers	X		X		X	X	X		X		X		X	X	X
Support New Ventures & Promote Entrepreneurship Activities		X		X	X	X	X	X		X					

Individuals Job And Career Skills Support	X	X		X	X		X	X	X	X		X	X		X
Relationship Support With The Major OEMs And Auto Manufacturers				X	X			X			X	X		X	
R&D Tax Incentives And Grants	X	X	X			X	X		X		X	X			
Small Business Development Centers				X			X	X		X		X	X	X	

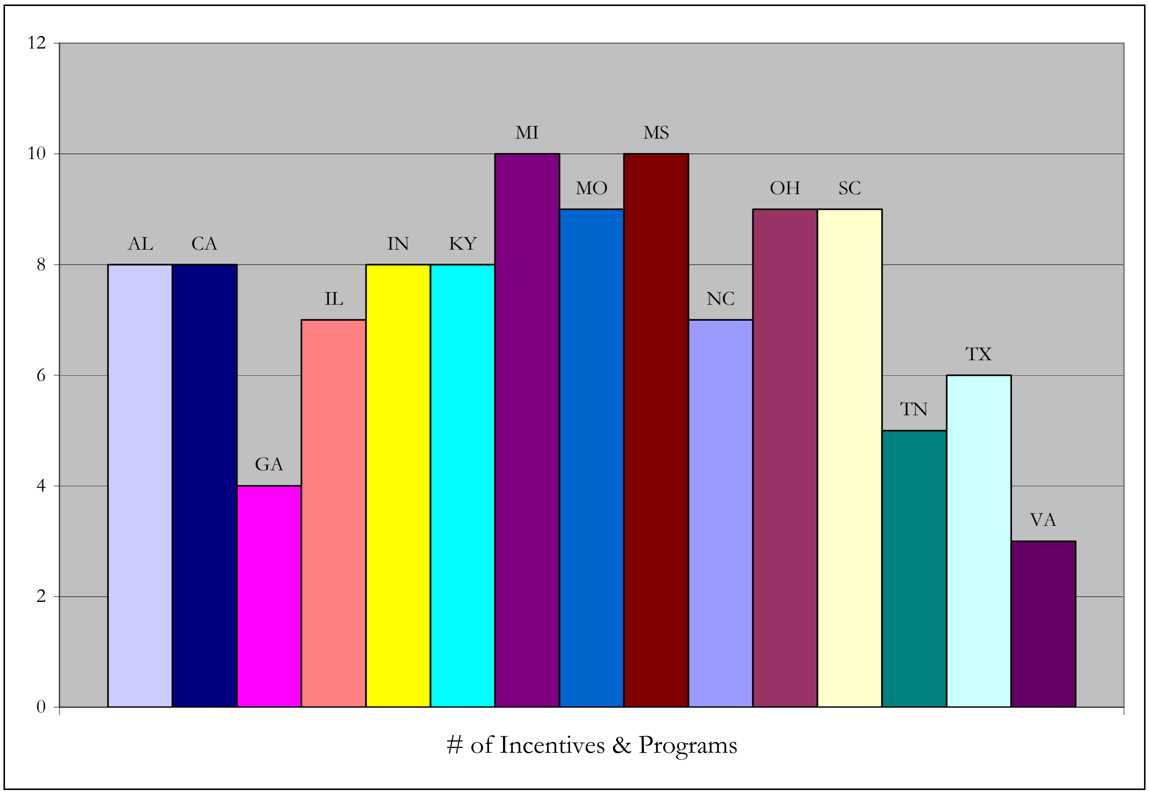

Figure 3: Number of Automotive Incentives & Programs offered per State

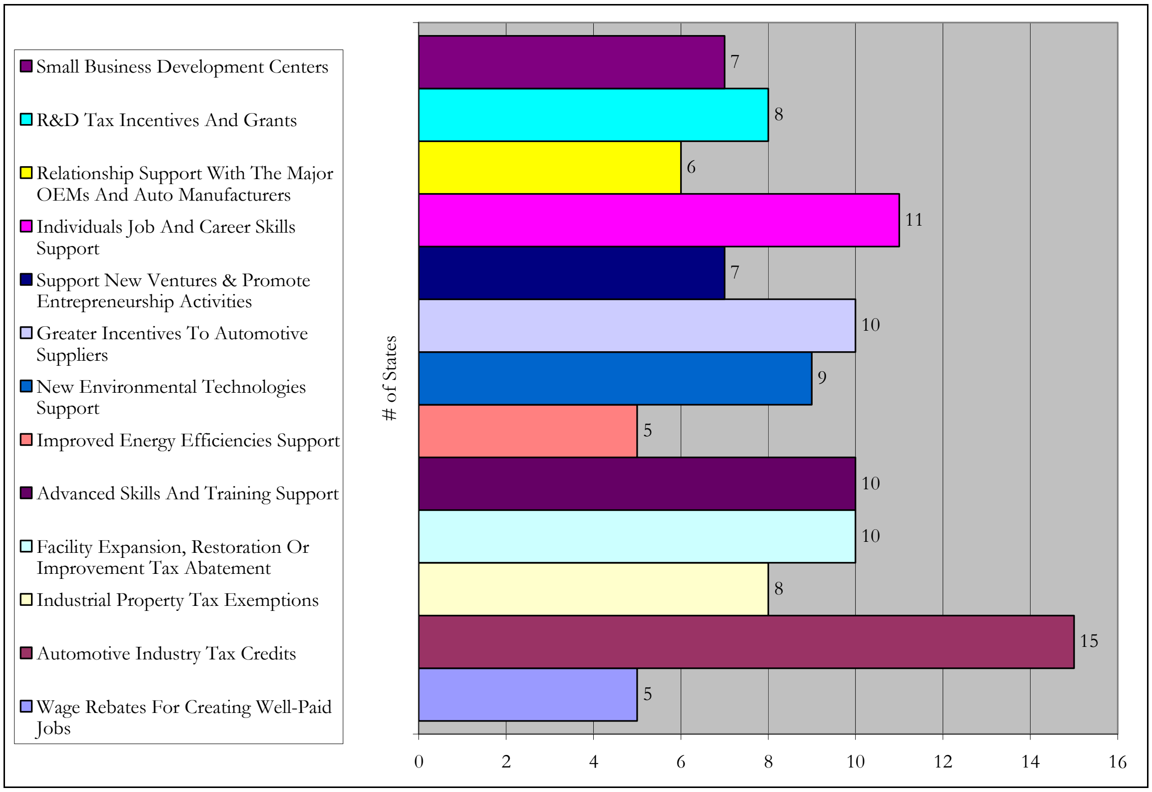

Figure 4: Number of States offering an Automotive Incentives & Programs

It is assumed in Table 5 and Table 6 that all available incentives and programs related to the automotive industry are readily available for public access on the state government or economic development website. Further, it is assumed in the referenced tables that incentives and programs are directly comparable in specific qualifying language, i.e. a project that would qualify for an incentive in one state would qualify for the similar incentive in another state. Due to the nature of the government, incentives and programs could change through appropriate administrative or legislative processes causing this comparison to be inaccurate; the information presented was accurate when researched to the best of the authors' ability. These assumptions and limitations prevent firm conclusions from this benchmarking report.

Further analysis is possible from the information in Table 5, Table 6, Figure 3and Figure 4. Michigan and Mississippi have more comprehensive incentives and programs than the other sample states with a total of 10 types being practiced at this time. Missouri, Ohio and South Carolina follow these states with a total of 9 initiatives. Virginia offers the fewest with 3 of the identified initiative types. The most common program type offered are Industry-based Tax Credits which is offered in all of the selected states at this time. Greater incentives for the recruitment of automotive suppliers are offered by all selected states except for California, North Carolina and South Carolina. This analysis indicates that North Carolina has implemented 7 of the 13 initiatives listed in Table 6.

2.2. *Motorsports Industry Initiatives in Selected States*

The methodology employed in analyzing the automotive industry is again employed in reviewing the motorsports industry. Due to the close relation between the motorsports and the automotive industries, many of the previously mentioned automotive industry incentives or programs apply to motorsports industry's upstream manufacturing. However, there are additional developments, location factors, programs and incentives specific to the motorsport industry as shown in Table 7 below. Based on the specific programs and incentives detailed in Table 7 and those identified for the automotive industry as compared in Table 6, five distinct types of state-specific motorsports industry support programs and initiatives were identified. Table 8 is a tabular comparison of the five types offered in the selected states. None of the state-specific automotive industry support programs and initiatives identified specifically excludes motorsports. Many states have some very competitive and unique developments that may warrant further analysis, for this study each of the identified types were offered in more than one state. The Appendix contains a detailed discussion of the individual offerings summarized in Table 7 and Table 8 along with the sources of information.

Table 7: Motorsports Industry Programs, Incentives and Developments in Selected States

State	Programs, Incentives and Developments
AL	• Alabama Motorsports Park will boast three racing venues, including a Dale Earnhardt Jr. Speedway and a variety of commercial enterprises, including restaurants and retail will open to attract motorsports fans.[26]
CA	• California Speedway, located near the I-10 and I-15 interchange in Fontana is the premier motor sports venue on the west coast. The track hosts two NASCAR Nextel Cup Series events each year in February and September. These rank as the largest spectator events in California.[27]
GA	• New, more competitive incentives offering a 20 percent tax credit for qualified productions, which are then eligible for an additional 10 percent tax credit if they include an animated Georgia promotional logo within the finished product.[28]
IL	• Development and expansion continues at the new Chicagoland Speedway in Joliet and Gateway International Raceway in Madison. • Historic connections to the racing industry around Chicago, Indianapolis, IL and St Louis are considered primary attractors for motor sports in the state.[29]
IN	• Indiana extended its Sales Tax Exemption for Professional Race Cars. • The Professional Motorsports Businesses are included in the Venture Capital Investment Credit programs. [30]

[26] Grove, L. (2008). *Alabama MBEC* [Presentation]. Mobile, AL: Alabama Minority Business Enterprise Center, accessed at http://www.mbecalabama.org/MBEC_Katrina_Summit_2008.pps.

[27] Economic Development Agency. (2006). *Go to the Races [Webpage]*. County of San Bernardino, CA, accessed at http://www.co.san-bernardino.ca.us/opportunityca/home_community/sbcs_go2Races.html.

[28] Paupeck, S. (2008) *Georgia Boosts Incentives for Entertainment Industry [Press Release]*. Atlanta: Office of the Governor, accessed at http://gov.georgia.gov/00/press/detail/0,2668,78006749_112654855_113378740,00.html.

[29] Chicagoland Speedway. (2009). *History* [webpage]. Joliet, IL, accessed at http://www.chicagolandspeedway.com/About-Us/Facility-History.aspx.

[30] Indiana Economic Development Corporation. (2008). *Indiana Motorsports Business Tax Incentives*. Indianapolis, IN, accessed at http://www.in.gov/motorsports/incentives.html.

State	Programs, Incentives and Developments
KY	• The Kentucky Speedway developers qualify for as much as 25% of their investments in tax rebates.[31]
MI	• Speedway Motorsports Inc. was affected by GM's decision to pull track sponsorship illustrating the motorsports industries concern regarding continued support from MI based manufacturers.[32]
MO	• Multiple top NASCAR drivers including Carl Edwards and the Wallace family call Missouri home.[33] • A robust amateur and semi-professional motorsports industry exists throughout the state.[34]
MS	• DeSoto County markets itself as a lower cost alternative than Memphis with lower annual costs for space, labor, property taxes and simpler, more efficient tax abatement programs to differentiate the location from regional competition[35]
NC	• Wind Tunnel eXtreme announced a $63 million facility in Competition Park, the business park being developed by Toyota Racing Development in Salisbury. Dozens of business leaders turned out to support a $1.6 million incentive package.[36]
OH	• Brant Motorsports Inc. plans to spend $300 million on the world's first indoor speedway near the Pittsburgh International Airport.[37]
SC	• Carolina Motorsports Park is a 2.23 mile road course located near Kershaw, South Carolina. The track may also be operated as a 0.99 mile west course and a 1.18 mile east course.[38] • The South Carolina Alliance proposes to relocate motorsport businesses to a corridor between North Carolina and Atlanta & development of an automotive research campus at Clemson University, establishing the International Center for Automobile Research.
TN	• Home of multiple major motorsports raceways • Specific legislation supporting further motorsport development approved[39]
TX	• Tax increment financing was utilized in the development of the Texas Motor Speedway.[40] • Economic support for Indycar and other non-NASCAR racing events was added to enabling legislation by consent in 2005.[41]

[31] The Sanford Holshouser Business Development Group & UNC Charlotte Urban Institute. (2004). *Motorsports a North Carolina Growth Industry Under Threat [Report]*. Cary, NC.

[32] Aumann, M. (2008). *Future support from auto makers a blurry crystal ball.* Accessed at http://www.nascar.com/2008/news/features/08/01/maumann.enterprise.manufacturers.future/.

[33] Cable News Network (2009). *NASCAR driver shows off his Missouri hometown* [webpage]. Atlanta, GA: Turner Broadcasting System, Inc., accessed at http://www.cnn.com/2009/TRAVEL/getaways/04/27/columbia.missouri.travel/.

[34] Racingaroundamerica.com (2007). *Speedways in Missouri* [webpage]. Accessed at http://www.racingaroundamerica.com/speedways/missouri.asp.

[35] Motorsports company to open distribution center in Mississippi. (2008, January 4). *The Commercial Appeal* (Memphis, TN) (KRT) Via Thomson Dialog NewsEdge, accessed at http://www.tmcnet.com/usubmit/2008/01/04/3195684.htm.

[36] Burchette, J. (2007, September 5). *The Salisbury Post* (Salisbury, NC), accessed at http://www2.nccommerce.com/eclipsfiles/17491.pdf.

[37] Jayski LLC. (2009). *Proposed Indoor Tracks News/Rumors* [webpage], accessed at http://www.jayski.com/pages/tracks/indoor.htm.

[38] North American Motorsports Pages. (2005). *Carolina Motorsports Park* [webpage]. Accessed at http://www.na-motorsports.com/Tracks/SC/CMP.html.

[39] Representatives Bone, Beavers, Hargrove, Bittle. (2008). *House Bill No. 172.* Nashville, TN: General Assembly, accessed at http://tennessee.gov/sos/acts/101/pub/pc0018.pdf.

[40] TrackLegislation.com (2005). *Tax Increment Financing in Texas* [webpage]. Accessed at http://www.tracklegislation.com/Articles/article.php?id=170.

[41] Senator Jeff Wentworth (2005). Senate Bill 150. Austin, TX: General Assembly, accessed at http://www.tlc.state.tx.us/pubssoe/79soe/S025.htm.

State	Programs, Incentives and Developments
VA	• Virginia Motorsports Initiative supports the existing industry promoting motorsports related jobs and investment as a means for economic development.[42]

Table 8: Comparison of Selected US States' Motorsports Industry Developments, Incentives & Programs

Development, Incentive or Program	AL	CA	GA	IL	IN	KY	MI	MO	MS	NC	OH	SC	TN	TX	VA
New motorsports related development announcements	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Motorsports specific Incentives			X		X	X	X			X			X	X	
Motorsports specific economic development strategy		X	X		X					X		X	X	X	X
Motorsports specific workforce development strategy			X		X					X		X	X		X
Motorsports Suppliers specific Incentives or strategy					X					X		X			

[42] Vaughn, J. (2003). *Governor Warner Launches Virginia Motorsports Initiative* [Press Release]. Richmond, VA: Office of the Governor, accessed at http://www.yesvirginia.org/About_Us/NewsArticle.aspx?newsid=565.

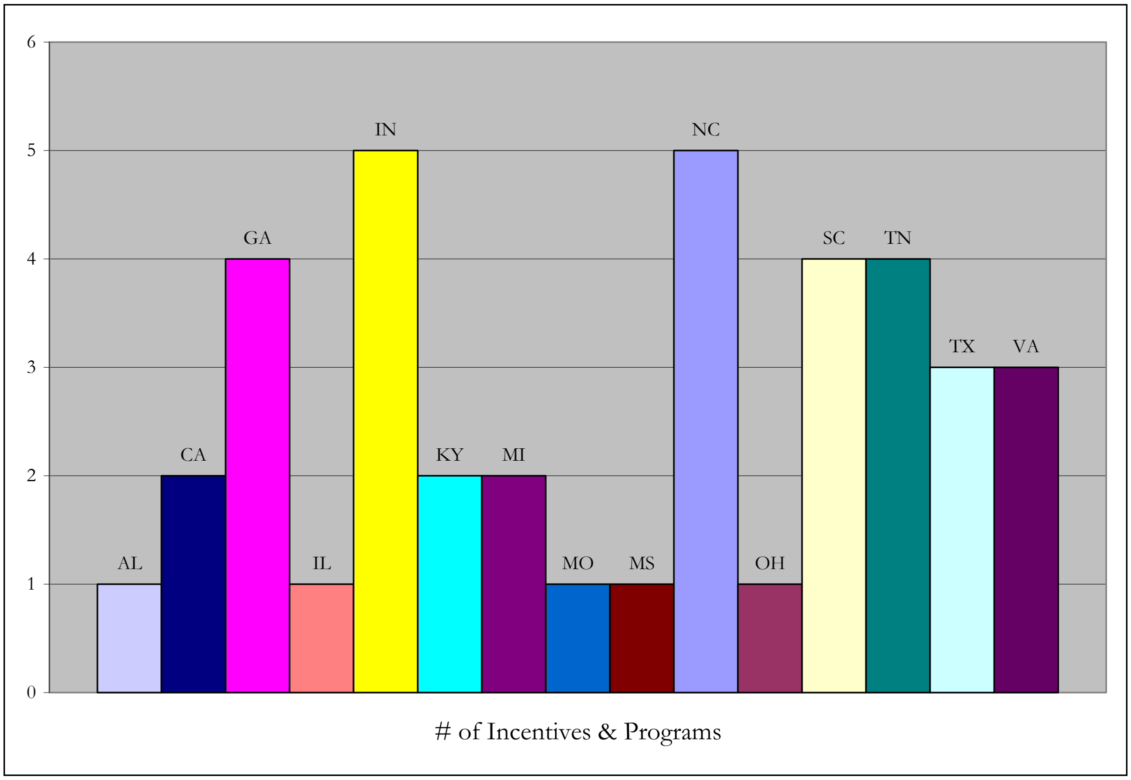

Figure 5: Number of Motorsports Incentives & Programs offered per State

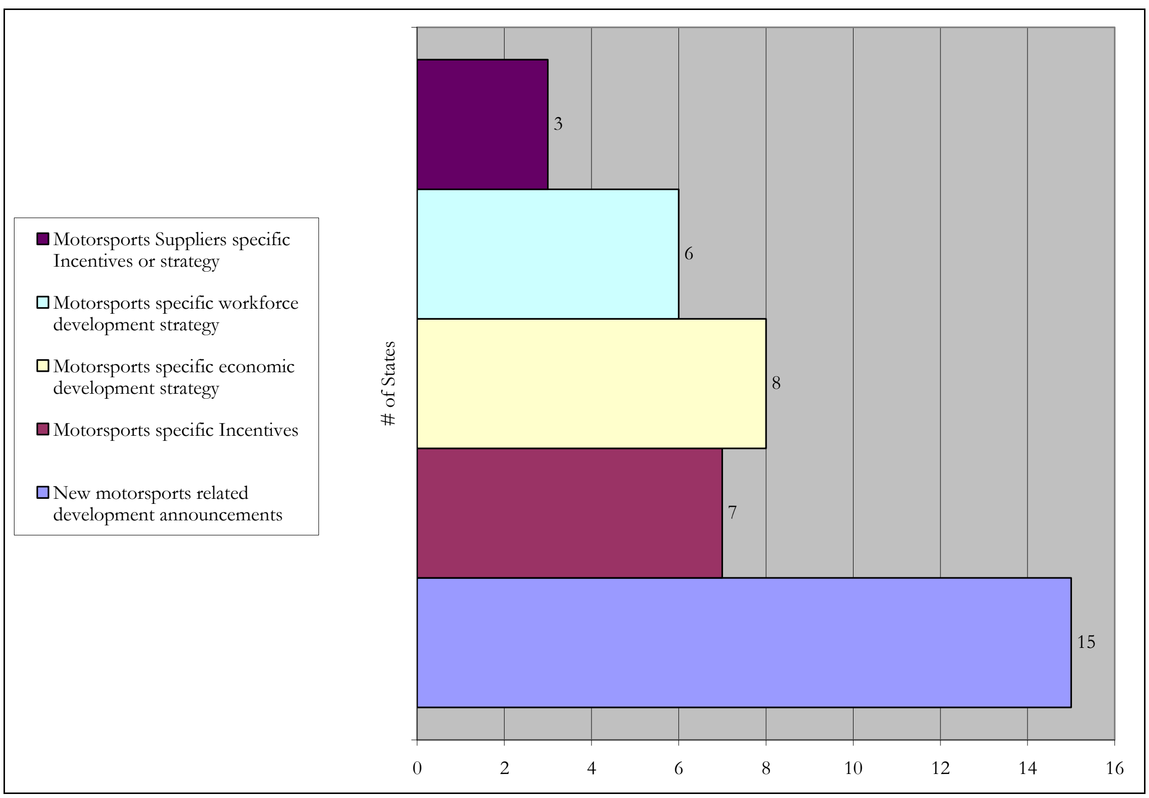

Figure 6: Number of States offering a Motorsports Incentives & Programs

As in the analysis of the automotive industry, it is assumed in Table 7 and Table 8 that all available incentives and programs related to the motorsports industry are readily available for public access on the state government or economic development website. Further, it is assumed in the referenced tables that incentives and programs are directly comparable in specific qualifying language, i.e. a project that would qualify for an incentive in one state would qualify for the similar incentive in another state. Due to the nature of the government, incentives and programs could change through appropriate administrative or legislative processes causing this comparison to be inaccurate; the information presented was accurate when researched to the best of the authors' ability. These assumptions and limitations prevent firm conclusions from this benchmarking report.

Further analysis is possible from the information in Table 7, Table 8, Figure 5 and Figure 6. From the gap analysis illustrated in Table 8, it is reasonable to conclude that the active public support of motorsports industry development is limited. An acknowledged opinion regarding the motorsports industry holds that Indiana and North Carolina are the major leading motorsports economies and that Georgia, South Carolina, Texas and Virginia are aggressively developing their motorsports industries.[43] All of the sample automotive states have involvement in the motorsports industry with recent economic development project announcements. Indiana and North Carolina have the most comprehensive incentives and strategies with all 5 identified types being practiced at this time. Georgia, South Carolina and Tennessee follow these states with a total of 4 initiatives. Alabama, Illinois, Missouri, Mississippi and Ohio only have new motorsports related development announcements and do not offer any motorsports industry specific incentives or strategies.

3. Global Automotive Overview

An overview of the automotive industry economic geography around the world is provided in this section through a study of major motor vehicle producing countries and regions from Asia, Europe, North America, and South America. The descriptions of the policies, incentives, programs and developments offered in this report were accessed from official economic development agency or government websites or third-party reports. Mass media news articles are utilized to supplement those descriptions due to the rapidly changing economic landscape. References to the information sources are listed accordingly throughout the report.

The establishment of incentive policies for the automotive supply chain is the trend globally and regionally. Most countries and local governments are willing to provide direct and indirect incentives for typical expansion projects that meet the eligibility requirements for their respective programs. Depending on the size of the investment and the number of new jobs to be created, incentives range from direct statutory incentives — typically investment tax credits and employment tax credits — to discretionary incentives, offering cash and in-

[43] Center for Urban Policy and the Environment (2004). *Motorsports Industry in the Indianapolis Region.* Indianapolis, IN: School of Public and Environmental Affairs, Indiana University–Purdue University Indianapolis, accessed at http://www.iredp.com/media/docs/Motorsports%20Docs/motorsports-final.pdf.

kind services or contributions to the project. Discretionary incentives can take many forms, such as free land, build-to-suit, property tax relief, pre-hire training, post-hire training, and rebates, to name a few. In the United States, for example, there is currently a general shift to cash reimbursement programs for capital investment in buildings or machinery and equipment, zero percent financing options, and flexible training grant programs that focus on the labor needs of the employer, rather than workforce training offered through the local community college.[44]

3.1. Asia

3.1.1. China

According to a 2006 PricewaterhouseCoopers analysis[45], by 2005 China's vehicle production had risen to 19.3%, approximately 4.36 million light vehicles, which made it the 4th largest automotive producer in the world following USA, Japan and Germany. The production of auto parts, accessories and bodies has also increased by 52% as a result of growing demand in automotive manufacturing. Globally China represented 8.7% of the market, in 2005, and contributed 23.2% of the total growth of the global automotive industry.

In terms of trade, China has negotiated free trade agreements with the Gulf Cooperation Council and Australia. These are two of China's largest natural resources trade partners. These agreements have allowed China stable access to critical energy and mineral resources. The agreements received extensive commentary and criticism from other nations and trade with China is major concern of the World Trade Organization.[46]

The rising cost of raw materials and the increased competition in the automotive industry constitute some problem for this industry. Within the Chinese market people are no longer favoring larger vehicles. Since the implementation of the Regulation on Sales of Second-hand Vehicles in October 2005, more people have begun buying used cars. In terms of energy and fuel resources Chinese domestic automakers are benefiting from a shift toward economical vehicles.[47]

The forecast growth that China will overtake Germany as the third largest assembler of light vehicles in the world, but stay behind Japan, may not be soon realized: It was estimated that the industry would grow by 24%, while capacity utilization will increase to 67%. Due to 2008 reductions in the tax incentives for foreign

[44] Baetsen, D & Mussio, K (2008). *Making the Most of Auto Industry Incentives*. Area Development Online: Automotive Site Guide 2008, accessed at http://www.areadevelopment.com/specialPub/auto08/government-incentives-auto-industry.shtml.

[45] PricewaterhouseCoopers. (2006). *Global Automotive Financial Review*. PricewaterhouseCoopers, accessed at http://www.pwc.de/fileserver/EmbeddedItem/gafr2006edition.pdf?docId=e56e6243a2b779a&componentName=pubDownload_hd.

[46] Jian, Y (2008, February 18). WTO rips China's tariffs on imported auto parts. *Automotive News*, accessed at http://www.autonews.com/article/20080218/ANA03/802180389.

[47] Hong Kong Trade Development Council. (2009). *China Regulates Second-Hand Car Distribution* [webpage]. Hong Kong, accessed at http://info.hktdc.com/alert/cba-e0510c-1.htm.

investors or transplants, a few automotive suppliers closed operations and moved production back to the United States (or the company's home country) due to increasing costs.[44]

3.1.2. India

The Indian automotive industry, currently directly employing 450,000 people, is expected to grow over the next five years with light vehicle assembly volumes forecasted to increase by 51 percent, according to the 2006 PricewaterhouseCoopers analysis. The GDP is expected to double by 2010. Through raising taxes, the Congress Party obtains more leverage to reform India's rigid labor laws, which might benefit the automotive companies. India as a nation faces several challenges in the automotive sector, which include inadequate infrastructure, rising input costs, government corruption and bureaucracy and a high level of corporate taxation. Other challenges include inconsistent government policies at the state level, low levels of investment in product and technology development and relatively strict emission regulations.[45]

As a result of all such initiatives and overall market liberalization, the norms for foreign investment and import of technology into the automotive sector have been progressively relaxed and 100% Foreign Direct Investment (FDI) is permissible automatically. India's Department of Heavy Industry is actively marketing the comparative and competitive advantages of locating R&D, manufacturing and assembly facilities in the county.[48] The Tata Motors Nano, unveiled at the Delhi Auto Show in 2008, builds on these reforms incorporating engineering and supply chain breakthroughs to create a $2000 so-called "people's car". The extremely low price point for the vehicle was enabled through a definitive plan by Tata and suppliers to build a vehicle that would reward all manufacturers and assemblers with a small profit instead of just downgrading an existing product. The potential success of the venture could reshape the automotive industry and illustrates how innovation is impacting the existing operational model.[49]

3.1.3. Japan

The Japanese automotive assembly sector has grown tremendously over the last several years. Lean manufacturing was developed and refined as a best practice in Japan positioning the industry to compete against US domestic automakers. The strategy of foreign direct investment especially in the US built on initial market share obtained from product importation.[50] Most of the recent growth has been coming from the export volume, which is a direct result of automakers leveraging Japan as a hub of more value-added products, such as gasoline-electric hybrid power trains and luxury-brand vehicles. Japan shipped nearly six million light vehicles in 2006, which is about 50 percent of the nation's total assembly volume.

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[48] Dept of Information Technology, Ministry of Communications and IT, Government of India. (2009). *Investment Opportunities and Incentives: National Level Investment: Opportunities, Policies and Incentives: Automotive* [webpage]. Accessed at http://business.gov.in/investment_incentives/automotive.php.

[49] Scanlon, Jessie (2009, March 18). What Can Tata's Nano Teach Detroit? *BusinessWeek*, accessed at http://www.businessweek.com/innovate/content/mar2009/id20090318_012120.htm.

[50] Womack, J., Jones, D., & Ross, D. (2007). *The Machine That Changed the World*. New York: Free Press.

Analysts believe that assembly volumes of these high-value-added products will remain a key factor, which will help support the Japanese automobile market. It is expected that a majority of hybrid assembly will stay in Japan in the long term to support the Japanese manufacturing base. In addition to the hybrid power train, people anticipate increasing assembly volumes in Japan with diesel powered vehicles.[45] Japan has a long post-war history of direct support for its domestic automotive industry and a variety of direct cash incentives are under consideration by the Japanese government to increase the acceptance domestically of hybrid and clean diesel technology.[51]

3.1.4. South Korea

South Korean auto makers enjoy access into the U.S. auto market and have received extensive incentives to locate manufacturing and assembly facilities in the U.S.[52] South Korea uses a variety of tariff, tax and non-tariff barriers to insulate its domestic manufacturers from foreign competition. It continues to export more than 70% of the 3.5 million cars and trucks it builds each year around the world. South Korea is the seventh largest U.S. trading partner, while the U.S is the third largest trading partner for South Korea.

Some common industrial trends that are observed in South Korea are increasing business capabilities of foreign carmakers and changing tastes of Korean consumers.[53] South Korea is considering a variety of direct cash incentives to increase domestic automotive sales and the acceptance of hybrid and clean diesel technology.[51]

3.1.5. Russia

Special economic zones were created in 2005 to stimulate foreign investment and economic development. Several automakers have proposed building facilities in the six approved zones, which offer lower tax and custom duty rates. In addition to this program by the national government, regional governments compete to attract foreign automakers through tax breaks and other incentives. Toyota, VW, Nissan, and others have established a manufacturing presence in Russia, ever since the industrial assembly legislation was passed in 2006. [45]

Analysts foresee Russian automotive market shifting from pure assembly to a full-fledged automotive manufacturing. Suppliers are shifting from solely providing for domestic Russian automakers to serving foreign vehicle manufacturers coming into the county. Increased prices for Russian brands is eliminating the gap between Russian and foreign brands. As a result, demand for Russian cars is shrinking, as imported or locally

[51] Just-auto.com. (2008). *JAPAN: Officials mull clean diesel incentives*. Accessed at http://www.just-auto.com/article.aspx?id=93615.

[52] FDi Magazine. (2004). *US in overdrive*. Accessed at http://www.fdimagazine.com/news/fullstory.php/aid/937/US_in_overdrive.html.

[53] Levin, S. (2006). *U.S. - South Korea FTA Test of Bush Administration's willingness to fight for U.S. Auto Industry* [Press Release]. Accessed at http://www.house.gov/apps/list/press/mi12_levin/pr070716.shtml.

produced foreign models grow in popularity. It is forecast that by 2010, Russia will more than double its share of the European car market and become more comparable to Europeans leader, Germany.[54]

3.2. Europe

3.2.1. Central and Eastern Europe

Central and Eastern Europe (CEE) has experienced waves of foreign direct investments which boosted the local economies of several countries. Automotive companies are attracted to this area due to its proximity to the Western European markets and the resources, as well as, lower labor costs. Eastern European countries, for example, are adding government incentives and expanding incentive programs to automotive suppliers in the last several years as car production expands in the region. The Czech Republic and Slovakia could become significant exporters of vehicles along with Poland, Turkey, and Romania. Major production centers have been moved to the Czech Republic and Slovakia.[55] However, not all companies can afford to set foot in CEE since the smaller economies are showing signs of overheating. Furthermore, CEE regions are also plagued common emerging market problems including scales economies, sensitivity to costs, transportation requirements, and institutional instability. Analysts predict the entire CEE region will produce 5.5 million passenger cars by 2012 and an expected 154% increase in production by 2012.[56]

3.2.2. European Union

The European Union (EU) automotive industry has been restructuring and relocating production east where manufacturing costs is lower. Premier brands will help maintain a steady production level in the EU with companies such as DaimlerChrysler and BMW Group.[45] The European Commission has an active policy to strengthening the competitiveness of the European automotive industry by implementing an effective internal market regulatory framework, international harmonization of technical requirements, and enhancing coordination of policy areas affecting the automotive sector.[57] Public funding for investment projects is regulated with certain criteria applicable in all EU member states with the goal of overall long-term advancement and economic growth in all different regions.[58] In the fall of 2008, the European Commission presented a comprehensive plan to drive Europe's recovery from the current economic crisis based on short-

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[54] Ernst & Young. (2007). *The Russian Automotive Market: Industry Overview.* Ernst & Young, accessed at http://www.ey.com/Publication/vwLUAssets/Industry_Auto_InvestinRussiaAutoBeatDaily/$File/Industry_Auto_InvestinRussiaAutoBeatDaily.pdf.

[55] Ernst & Young. (2006). *The Central and Eastern European Automotive Market: Industry Overview.* Ernst & Young, accessed at http://webapp01.ey.com.pl/EYP/WEB/eycom_download.nsf/resources/CEE_Automarket_Broszura.pdf/$FILE/CEE_Automarket_Broszura.pdf.

[56] Radosevic, S., & Rozeik, A. (2005). *Foreign Direct Investment and Restructuring in the Automotive Industry in Central and East Europe*. London: Centre for the Study of Economic and Social Change in Europe.

[57] European Commission. (2009). *Enterprise and Industry: Automotive* [webpage]. Accessed at http://ec.europa.eu/enterprise/automotive/index_en.htm.

[58] Germany Trade & Invest. (2009). *Incentives in Germany- Supporting Your Investment Project* [report]. Berlin, accessed at http://www.gtai.com/uploads/media/FactsAndFigures_IncentivesInGermany_GTAI_02.pdf.

term demand centered measures and longer-term investment focused growth. It includes extensive national and EU level action concentrating support on the most vulnerable industries including the automotive industry. Numerous retail level incentives are offered for the purchase of new automotives throughout the EU.[59] The connection between the EU and U.S. automotive industries is expected to increase as the bankruptcy of Chrysler proceeds and Fiat signs on in partnership.[60]

3.2.3. Germany

The key automotive country in Europe remains Germany with 29% of passenger car production (the largest share) in Europe being German and a global ranking of 4th largest automotive production in 2007.[61] The national government has extended additional economic development funding to promote eastern German economic development and build on the strategic placement proximate to the rapidly growing CEE countries. Structural reforms have been undertaken to increase global competitiveness including changes in tax, social security and financial sector.[62] Specific economic development strategies include Germany offering a large selection of programs for a wide variety of business activities at different stages of the investment process from cash incentives for the reimbursement of direct investment costs to incentives for labor and research and development (R&D). Traditional economic development incentives vary between the states with each marketing their comparative and competitive advantages of automotive R&D, manufacturing and assembly. [63]

3.2.4. France

The role of France within the global motor vehicle industry continues to grow with 9.3% of the global automotive manufacturers being French and ranking in 2007 as the 6th largest producer.[61] French manufacturers, including Renault and Citroën have specialized in motor technology concentrating on the production, research and development of transmissions and engine equipment. The automobile industry in France is the leading sector in terms of research and development within companies and multiple foreign equipment and parts manufacturers located their diesel and gearbox facilities in France.[64] A wide range of economic development assistance is available to companies locating or expanding in France. The full range of economic development incentives are offered in France for automotive projects and the type of assistance on offer varies according to

[59] *The Commission launches a major Recovery Plan for growth and jobs, to boost demand and restore confidence in the European economy* [Press Release]. (2008). EUROPA: the portal site of the European Union, accessed at http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1771.

[60] King, N & McCraken, J. (2009). *Chrysler Pushed into Fiat's Arms.* The Wall Street Journal, A1, accessed at http://online.wsj.com/article/SB124109550079373043.html.

[61] International Organization of Motor Vehicle Manufacturers. (2007). *2007 Production Statistics* [webpage]. Paris, accessed at http://www.oica.net/category/production-statistics/.

[62] The Office of Electronic Information, Bureau of Public Affairs. (2009). *Background Note: Germany* [webpage]. Washington, DC: US Department of State, accessed at http://www.state.gov/r/pa/ei/bgn/3997.htm.

[63] Germany Trade & Invest. (2009). *Automotive Industry: Driving Performance through Technology* [webpage]. Accessed at http://www.gtai.com/homepage/industries/automotive/.

[64] Invest in France Agency. (2008). *French key sectors: Motors* [report]. Paris, accessed at http://www.invest-in-france.org/uploads/files-en/08-09-03_163808_Motors.pdf.

the project characteristics, locations and type of company involved. Public support may be granted by the national government or regional and local authorities and can include subsidies, tax exemptions and tax credits.[65]

3.2.5. Italy

The Italian motor vehicle production has grown and ranks as the 15th largest producer[61] with the headquarters of Fiat and an extensive automotive supplier network located in Turin and Piedmont Areas. Italian corporate law and tax system was reformed in 2003 with a new legal framework for companies considered one of the most modern and dynamic in and broad decreases in taxation.[66] Italy provides a range of incentive programs from tax credits to research & development grants & loans aimed at securing the set up of new facilities and the upgrade of existing ones, technological innovation and scientific research and new investments and new jobs.[67] The economic development of the industry is not without issues in Italy and a 2009 scheme by the Italian government to support the automotive industry is being investigated by the EU and may violate the law.[68] Economies of scale in the Italian motor vehicle industry remain a concern for further development considering that continuing European integration makes economies of scale an important issue and the Italian automotive industry consists primarily of one firm, Fiat.[69]

3.2.6. Sweden

Sweden's prominence in the motor vehicle industry is based on being a global center for automotive R&D, a tradition of complex systems design, leadership in clean automotive technologies and providing a strong test and demonstration environments. The major national brands, Volvo and Saab, developed strong supplier networks and heavy invested in machine and inventory.[70] It ranks in the middle of the global production rankings at 28 out of 40.[61] Limited economic development incentives are offered in Sweden and are primarily regional in nature comprising regional investment grants, employment support and a special social

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[65] Invest in France Agency. (2009). *Government support for business* [report]. Paris, accessed at http://www.invest-in-france.org/uploads/files-en/09-05-19_121222_Doing_Business_2009_UK_chap5_gov_supportWEB.pdf.

[66] Invitalia. (2009). *Seven reasons to invest in Italy* [webpage]. Rome: The national Agency for inward investment promotion and enterprise development SpA, accessed at http://www.invitalia.it/flex/cm/pages/ServeBLOB.php/L/EN/IDPagina/329.

[67] Invitalia. (2009). *Incentive programmes* [webpage]. Rome: The national Agency for inward investment promotion and enterprise development SpA, accessed at http://www.invitalia.it/flex/cm/pages/ServeBLOB.php/L/EN/IDPagina/240.

[68] Brunsden, J. (2009). *Commission questions Italy's support for car industry* [article]. European Voice: An Economist Group business, accessed at http://www.europeanvoice.com/article/2009/02/commission-questions-italy's-support-for-car-industry/64061.aspx.

[69] Truett, J & Truett, D. (2003). The Italian Automotive Industry and Economies of Scale. *Contemporary Economic Policy*, Oxford University Press, 21(3), 329-337.

[70] Invest in Sweden Agency. (2008). *Investment opportunities: Automotive* [webpage]. Stockholm, accessed at http://www.isa.se/templates/Normal____58958.aspx.

insurance related tax break.[71] These offerings have been bolstered recently with increased investment in research and development and providing state credit guarantees for raising loans in the European Investment Bank.[72]

3.2.7. United Kingdom

The United Kingdom automotive industry is more focused on retail and motor trade than on assembly and manufacturing, employing over 550,000 people with a $33 billion economy.[73] In 2007, the UK produced about 1.7 million vehicles and over 60% of these were exported making it the 12th largest producer of motor vehicles. [61] The UK Government announced a package of measures aimed at freeing up lending for the automotive industry in January 2009. In addition to loan assistance, the package included increased funding for workforce training and the new Trade and Investment Minister has been tasked to draw up a plan for improving access to finance for manufacturers' finance arms.[74] Retail level incentives are offered for automotive purchases including a scheme to provide payment to scrap old vehicles in exchange for new ones.[75]

3.3. North America

3.3.1. Canada

Ontario Canada produces one in six vehicles built in North America. Furthermore, Ontario is attracting increasing investments from major automotive companies, such as General Motors, Honda, and Toyota with rising research and labor costs. The Ontario government offers aggressive tax incentives and credits for research and development (R&D) investments. In addition to development, the Canadian has a skilled workforce with competitive wages with about 45,000 and 90,000 employed in the assembly and parts industry, respectively. The government and domestic companies' heavy investment in the automotive industry will continue to draw more external investments.[76]

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[71] Invest in Sweden Agency. (2009). *Regional Financial Incentives* [report]. Stockholm, accessed at http://www.isa.se/upload/english/fact_sheets/regional_financial_incentives.pdf.

[72] Ministry of Finance. (2009). *Incentives for jobs and enterprise: Special measures for the automotive industry* [webpage]. Stockholm: Swedish Government Offices, accessed at http://www.sweden.gov.se/sb/d/11785/a/123089.

[73] Automotive Unit (2008). *UK Profile* [webpage]. London: Department for Business, Enterprise, and Regulatory Reform., accessed at http://www.autoindustry.co.uk/ukprofile?s=22ybtxhn5zs5rh0r.

[74] Automotive Unit (2008). *Support Measures for the Automotive Industry* [webpage]. London: Department for Business, Enterprise, and Regulatory Reform, accessed at http://www.berr.gov.uk/whatwedo/sectors/automotive/supportmeasures/page49874.html.

[75] *UK moves towards car scrap scheme*. (2009). London: BBC, accessed at http://news.bbc.co.uk/1/hi/business/7995928.stm.

[76] Area Development. (2006). *Ontario 2006: In Front of the Pack* [webpage]. Accessed at http://www.areadevelopment.com/international/jun06/ontario.shtml.

3.3.2. Mexico

Due to its inherent cost differential in the manufacturing process and geographical proximity to the United States, the Mexican automotive industry has attracted a great deal of interest from the leading automakers across the globe. Beginning primarily since 2004, the industry witnessed a surge in its domestic demand, greenfield investments and a growing interest in its automotive parts segments. The growth has been varied within the automotive industry sub-sector from parts manufacturing and from raw materials to heavy truck final assembly and geographically throughout most of northern Mexico. Traditional economic development incentives of tax breaks, grants, infrastructure support or workforce training are largely absent from the Mexican automotive industry.[77] The Detroit-based auto manufacturers are expected to increase their manufacturing and assembly in Mexico in the next years fueling the Mexican industry.[45]

3.3.3. United States of America

As previously detailed in the Motor Vehicle Industry within the United States section, the automotive industry in the United States is adjusting production to changing consumer demands, increased in fuel prices, economic recession and increased competition. Manufacturing and assembly has left the traditional base around Detroit, expanding initially into the proximate region and now is firmly rooted in the economies of the South.[78] Realigning production capacity to market value has also lead to a reduction domestically of manufacturing facilities and outsourcing to emerging markets such as China, Brazil, and Mexico.[45] Despite efficiencies within American automotive manufacturing processes, their revenue stream has been buoyed by their overseas production. As of April 2009, the future of the domestic industry is uncertain, direct federal intervention is ongoing and bankruptcy is a potential for General Motors[79] and a reality for Chrysler.[60] Despite the lack of a national development strategy for the automotive industry, most states actively attempt to growth the industry as previously benchmarked.

3.4. South America

3.4.1. Brazil

At the birth of the Brazilian automotive industry, around $30 billion in foreign investments was invested into the Brazilian market. Investors believed that this would help expand North American and Western European markets.[45] Brazil has a large available workforce with unemployment at 8.6% in 2008, up 1.5% from

[77] Frost & Sullivan. (2006). *Country Industry Forecast - Economic Analysis for the Mexican Automotive Industry*. Accessed at http://www.frost.com/prod/servlet/report-homepage.pag?repid=4A62-01-00-00-00.

[78] Rubenstein, J.M. (1992). *The changing US auto industry: a geographical analysis*. London: Routledge.

[79] *New GM CEO: 'Bankruptcy More Probable Today'*. (2009). Washington DC: NPR- All Things Considered, accessed at http://www.npr.org/templates/story/story.php?storyId=102728241.

the year before.[80] In 2005, Brazil was exporting 37% of all its manufactured vehicles, hoping to gain short-term return on investment. Rapid appreciation of the Brazilian currency (real) and export of the products to free trade agreement partners, Argentina and Mexico, created a trade disparity. In the global manufactures view, Brazil is considered to have an inefficient operating environment because of its political and economic instability, weakening consumer purchasing power, lack of adequate consumer financing tools, as well as high taxation rates and interest. Not only are the manufactures deterred, but also the automotive suppliers. They feel challenged by the complex tax regulations, outdated labor regulations, costly and fragile logistics infrastructure, rising commodities prices and increasing number of troubled suppliers.[45]

Brazil has developed predominance on flex-fuel engines, which run on gasoline, ethanol or any mixture of the two, and the production of small cars. The country faces the same oil prices as the rest of the international prices, which is why most consumers are leaning towards this new innovation and smaller cars. In 2005, 55% of the vehicles sold in Brazil had 1.0 liter engines. These smaller vehicles benefit from a tax incentive created in the early 1990s to promote environmentally friendly "popular" vehicles. Analysts are predicting Brazil will continue to over depend on exports and a significant change in the local market demand is unlikely to occur any time soon. Brazil must address its tax situation having one of the highest tax burdens in the world, limiting in product development.[45]

3.4.2. Chile

The automotive industry has largely remained unchanged since 2006. Most of the cars being imported into Chile are from Japan, which account for 25.8% of the overall automotive sales.[81] A common trend within the country has been to increasingly weigh more on imports for its automotive sales. General Motors leads their automotive market, however lately Toyota has given it some serious competition.

Analysts predict that with Chile's lack of a significant automotive production industry, it will drop in output until 2010. This decline will remain until their reliance on imports is minimized and domestic production increases. Currently economic development incentives and support programs are limited for the Chilean automotive industry.[81]

3.5. Summary

The major strategies that each one of the countries and regions reviewed in this report offer to grow and retain the automotive industry in their jurisdiction are presented in this section. Over 96% of the global automotive production, partitioned into about 39% in Asia, 32% in Europe, 21% in North America, and 4% in South America, is represented by these sampled countries and regions. Based on the specific programs and

[80] Vieira, I. (2008). Brazil's Unemployment Rate Falls Slightly to 8.6% [webpage]. *Brazzil Magazine*, accessed at http://www.brazzilmag.com/content/view/9268/.

[81] Bureau, B. B. (2008). *The Chile Autos Report*. London: Business Monitor International, accessed at http://www.businessmonitor.com/chile_autos_report.html.

incentives detailed for the sample states presented in Table 5 and the information reviewed in the Global Automotive Overview, eight distinct types of automotive industry support programs and initiatives were identified. Table 9 is a tabular comparison of the incentive and program types offered in the selected countries and regions. There are many very competitive and unique initiatives that may warrant further analysis, for this study each of the identified types were offered in more than one country or region.

Table 9: Comparison of Global Automotive Industry Incentives and Programs

Incentives And Programs	% of Global Production	Utilize Production Off-shoring	Allow Foreign Investment in Production	Automotive Industry Tax Credits	Industrial Property Tax Exemptions	Advanced Skills And Training Support	New Environmental Technologies Support	Greater Incentives To Automotive Suppliers	R&D Tax Incentives And Grants
China	12.2%	X	X				X		X
India	3.2%		X				X		X
Japan	15.8%	X	X				X		X
South Korea	5.6%	X							X
Russia	2.3%	X	X	X	X			X	
Central & Eastern Europe	3.7%		X	X	X		X	X	
European Union	25.8%	X	X	X	X	X	X	X	X
Germany	8.5%	X	X			X	X		X
France	4.1%	X	X			X	X		X
Italy	1.8%	X	X			X	X		X
Sweden	0.5%	X	X			X	X		X
United Kingdom	2.4%	X	X			X	X		
Canada	3.5%	X	X	X	X	X	X	X	X
Mexico	2.9%	X	X		X				
United States	14.7%	X	X	X	X	X	X	X	X
Brazil	4.1%		X				X		
Chile	0.01%		X						

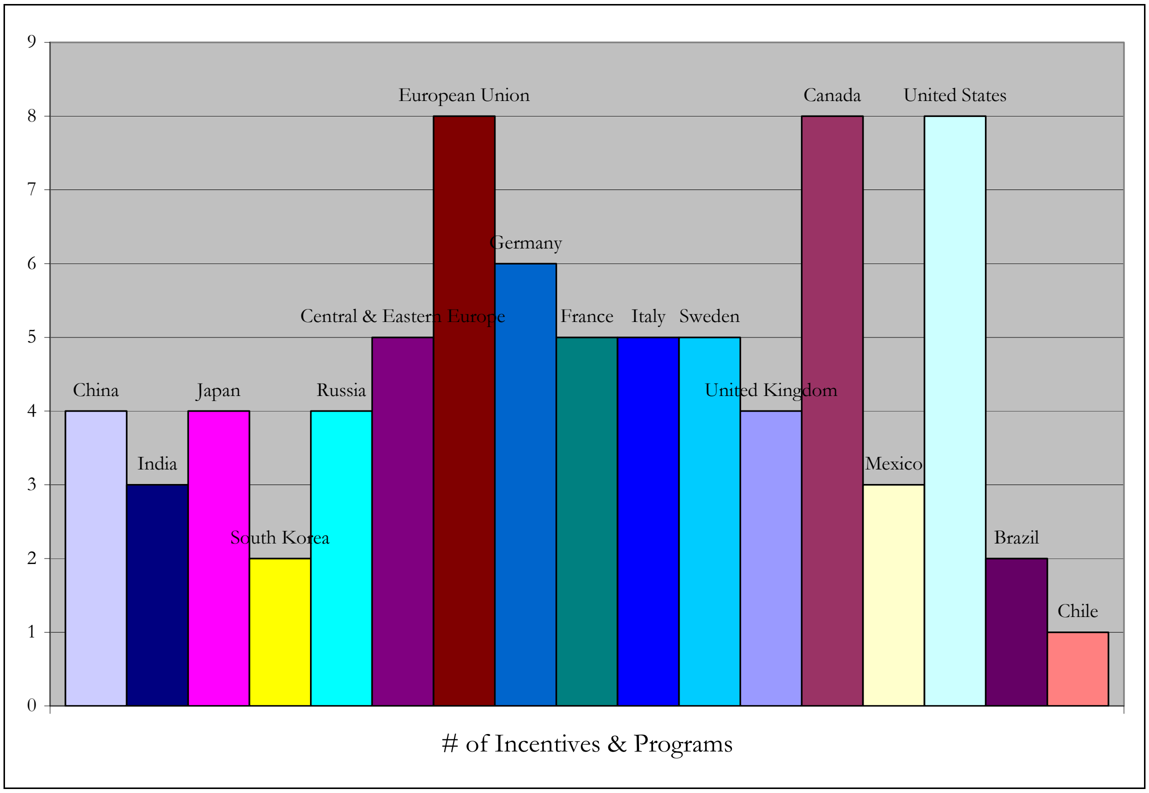

Figure 7: Number of Automotive Incentives & Programs offered per Country or Region

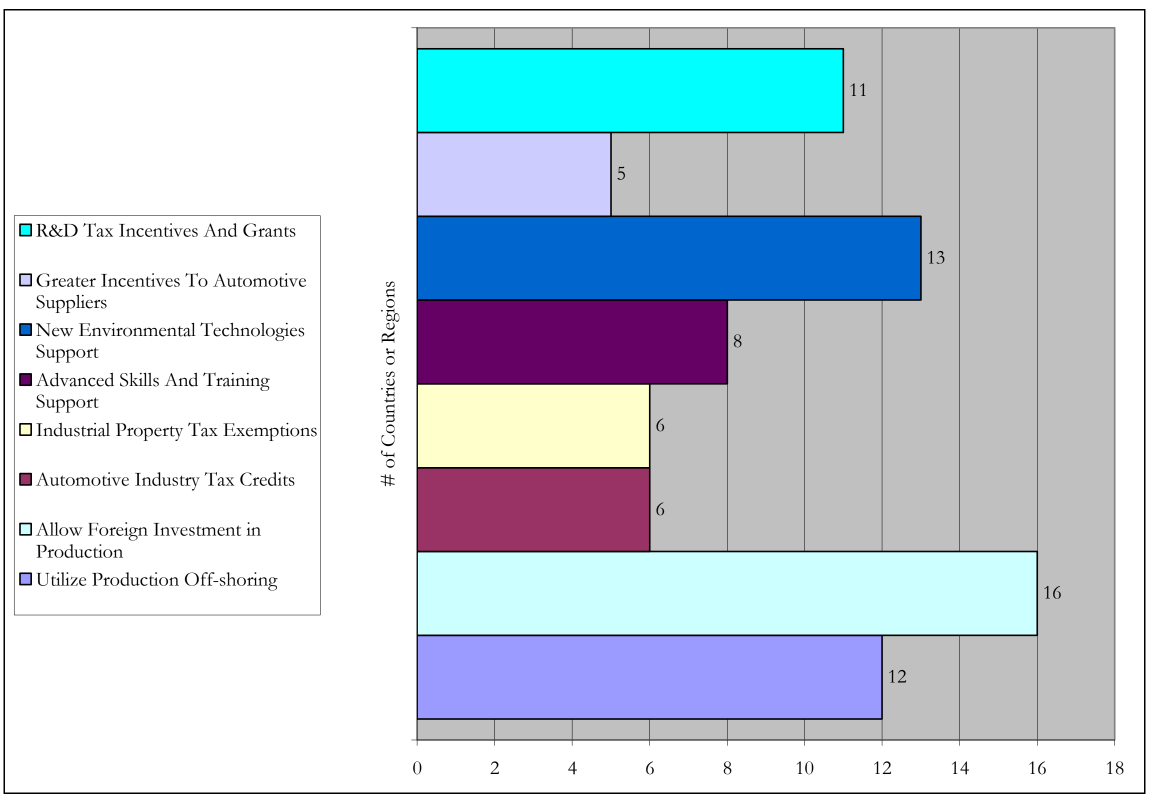

Figure 8: Number of Countries or Regions offering an Automotive Incentives & Programs

It is assumed in Table 9 that all available incentives and programs related to the automotive industry are readily available for public access on the official economic development website. Further, it is assumed in the referenced tables that incentives and programs are directly comparable in specific qualifying language, i.e. a project that would qualify for an incentive in one country would qualify for the similar incentive in another country. Due to the nature of the government, incentives and programs could change through appropriate administrative or legislative processes causing this comparison to be inaccurate; the information presented was accurate when researched to the best of the authors' ability. These assumptions and limitations prevent firm conclusions from this benchmarking report.

Analysis is possible from the information in Table 9, Figure 7 and Figure 8. The European Union, Canada and United States have more comprehensive incentives and programs than the other sample country or region with all 8 types being practiced at this time. Not all of the EU member states utilize all of the incentive programs available under EU law, as is evidenced by the variability of the incentive programs offered by Germany, France, Italy and Sweden. Chile offers the fewest economic development support programs for the automotive industry with 1 of the identified initiative types. The most common program type offered are the allowance of Foreign Investment in Production which is offered in all of the selected countries or regions at this time, except for South Korea. New Environmental Technologies Support is offered by all selected counties or regions except South Korea, Russia, Mexico and Chile. The uneven utilization of automotive specific economic development policies is indicated with only 1/3 (6 out of 17) of the selected countries offering explicit tax credits for the automotive industry. A relationship between the indicated incentive or program and the percentage of global production is not indicated. Further analysis of this finding may be worthwhile.

4. Recommendations

In the motor vehicle industry, the United States has primarily focused on resource capacity, workforce availability, suppliers and transportation networks as a way to maintain and/or expand the automotive and motorsports industries. Most businesses related to these industries tend to emerge in locations where the resources and workforce are available. In the United States, the South which includes the State of North Carolina, has well-established supplier networks, resources and workforce availability, which added to an excellent transportation capability, give great potential opportunities to the development of the automotive and motorsports industries in this region.

The gap analyses of the automotive and motorsports industries supply reasonable recommendations for the continued competitiveness and growth of the industries in North Carolina. With the motorsports industry, all of the incentives and strategies examined are employed in North Carolina. Continued support of the existing assistance and development of additional innovative programs may be necessary to maintain the prominent position of the state within the motorsports industry. Based on the gap analysis of the automotive industry, incentives and programs not utilized in North Carolina have been identified as follows:

- Wage Rebates For Creating Well-Paid Jobs
- Facility Expansion, Restoration Or Improvement Tax Abatement
- New Environmental Technologies Support
- Greater Incentives To Automotive Suppliers
- Relationship Support With The Major OEMs And Auto Manufacturers
- R&D Tax Incentives And Grants

While further feasibility analysis is necessary on the applicability of each of these initiatives listed above, implementation of one or more of these may favor the development of existing or new automotive industries in the area. At the same time these practices will locate NC in an advantaged position to attract and recruit new businesses related to the automotive industries, when compared to the rest of Southern states in the US.

Discussed GDP values, workforce, social and legal atmosphere of the different regions around the world can be used as an indicator of future growth in the automotive industry for China, South Korea, Mexico, Canada and potentially for India, Russia, and some of the Central and Eastern European countries; whereas it can be expected that industrial facilities and networks in more developed areas will relocate or expand in lower costs regions. The Asian countries are particularly capable of expanding with the resource and workforce availabilities and developing or emerging automotive industries. In the United States, relocation of companies to the South along with researching for future solutions to the looming energy crisis will locate this country at a better position to compete with its global counterparts.

APPENDICES

5. Appendix –Detailed Information on the Selected States

5.1. Alabama

5.1.1. Tax Incentives[82]

Corporate Income Tax: Corporations pay Alabama income tax based on their net taxable income derived from business conducted within the state. The amount of net income apportioned to Alabama is determined by applying an equally weighted three factor formula of property, payroll, and sales to total net income. The rate of corporate income taxation is 6.5% (Individuals are taxed at a rate of 5%). Corporations that anticipate having a tax liability of $5000 or more must file and pay estimated tax on a quarterly basis.

There are several credits and deductions that are statutorily available for Alabama corporate taxpayers.

The taxpayer may participate in any or all of the statutory tax credits for which requirements are met.

Federal Income Tax Deduction: There are constitutional restrictions that add to the stability of the Alabama corporate (and individual) tax environment. Amendment 212 of the Constitution allows the corporate (and individual) taxpayer to deduct from its gross apportioned and allocated income, the apportioned (to Alabama) amount of federal income tax paid or accrued, creating a lower net effective income tax rate.

Net Operating Loss Carryforward: For Alabama corporate income tax, a net operating loss is applied to the first taxable year to which it may be carried and can be carried forward 15 consecutive years. However, corporations may not carry back a net operating loss to offset Alabama income in prior years.

Capital Investment Tax Credit: The Capital Investment Tax Credit program allows an income tax credit of up to 5 percent of initial capital costs of qualifying projects to new and expanding companies. The credit is available each year, for 20 years, beginning in the year the qualifying project is "placed in service"*. The capital credit can effectively eliminate the Alabama income tax liability generated by a qualifying project.

Business Activity Requirement:

• The qualifying project must constitute either a "headquarters facility" or an "industrial, warehousing, or research activity" defined as any trade or business described in the 1997 North American Industry Classification System (NAICS) as:

- Sectors 31 (other than National Industry 311811), 32, 33 and 42, Subsector 511,
- Industry Groups 5142 and 5415,
- Industries 54138 and 54171,
- Industry 514191,

Or any process or treatment facility which recycles, reclaims, or converts materials, which include solids, liquids, or gases, to a reusable product.

[82] Economic Development Partnership of Alabama. (2009). *Alabama Taxes and Incentives.* Birmingham, AL. Accessed at http://www.edpa.org/docs/alabama-taxes-and-incentives.pdf.

• A headquarters facility is defined as a facility which will serve as the national, regional or state headquarters for an investing company that conducts significant business operations outside the state and will serve as the principal office of the principal operating officer of the qualifying project. The principal operating officer is defined as the person with chief responsibility for the daily business operations of the qualifying project.

• Capital Cost Requirement:

Not less than $2,000,000 for new, expansion, and headquarters facility projects

Not less than $1,000,000 for small business addition projects

Not less than $500,000 for favored geographic area projects**

• Employment Requirement:

At least 20 new employees*** at new, expansion, or headquarters facility projects

At least 15 new employees at small business addition projects

At least 5 new employees at favored geographic area projects

• Wage Requirement:

An average wage requirement of $8.00 per hour or an average total compensation of not less than $10.00 per hour, including benefits, is required. There is an exception for direct processors of agricultural food products. These wages shall be determined by the local labor market rate.

*Prior to the date the qualifying project is “placed in service,” the company must notify the Alabama Department of Revenue of its intent to claim the incentives under Section 40-18-190 et. seq., Code of Alabama 1975. Effective June 4, 1999, the "written statement of intent" to claim the capital credit (Form INT) must "include the notification acknowledgment letter from the director" (of the Alabama Development Office) per Section 41-9-202.1, Code of Alabama 1975.

**A Favored Geographic Area is:

(a). Any area designated as an enterprise zone by law or that is governed by the Alabama Enterprise Zone Act.

(b). Any Alabama county which is considered to be less developed. This designation is comprised of counties ranked forty-fifth through sixty-seventh, inclusive, using the following factors:

(i) Percent change in population over the most recent five-year period.

(ii) Personal per capita income in the last calendar year for which data is available.

(iii) The average percent employed over the last 12 months for which data is available.

Favored Geographical Areas are ranked as of every January 1. A listing of Favored Geographical area can be found at http://www.edpa.org/docs/Favored-Geographic-Areas-doc.pdf and http://www.revenue.alabama.gov/Taxincentives/fgacounties.pdf

*** New employees must meet the statutory definition of new employees, found in Section 40 -18-190, Code of Alabama 1975. “New employees” cannot have worked at the site before, and cannot have worked for the project entity in Alabama before. Required jobs must be provided by the date that is not later than one (1) year after the project is placed in service, continuing each year thereafter.

Alabama Enterprise Zone Credit: To stimulate business and industrial growth in depressed areas of the state, Alabama offers certain tax credit incentives to businesses that locate or expand within a designated enterprise zone. The credit may be used against the corporate income tax in certain circumstances.

Enterprise Zone Credit: Section 5 allows for a maximum credit of $2,500 per permanent new employee, to be applied against the income tax and/or business privilege tax liability of the company, provided specific requirements have been met. The credit can be used in the year earned and can be forwarded up to two consecutive years from year earned.

Enterprise Zone Exemption: Section 11 is subject to approval by the enterprise zone advisory council and the governor of Alabama. Section 11 provides exemptions from sales and use tax (on purchases of construction related materials, machinery and equipment used in the zone), income tax, and/or business privilege tax at the enterprise zone for five years, provided employee requirements, specific to depressed areas, are met. Company can choose to exempt 100% of the income tax, business privilege tax, or sales and use tax at the enterprise zone and 50% of the company’s choice of the two remaining taxes.

The program is administered by the Alabama Department of Economic and Community Affairs (ADECA), who determines whether the project meets the requirements for the program. More information on State Enterprise Zones can be found at http://www.edpa.org/docs/state-enterprise-zones.pdf .

Employer Education Credit: A tax credit is statutorily available to employers who provide approved basic skills education programs to Alabama resident employees. The credit is 20 percent of the actual costs limited to the employer’s income tax liability. The requirements are:

- The program must have written approval from the Alabama Department of Education.
- The employees shall have been continuously employed for at least 16 weeks for at least 24 hours per week.
- The employer cannot receive or require reimbursement or any form of remuneration for any cost of education.

5.1.2. Sales and Use Tax

Alabama sales tax is a privilege tax imposed on the retail sale (a sale made to the end-user) of all tangible personal property sold in Alabama by businesses located in Alabama. The use tax is complementary to the sales tax. Businesses or individuals that purchase tangible personal property outside of Alabama upon which no tax is paid to the seller and bring the property back to Alabama for storage, use, or consumption should remit consumer's use tax on the purchase, provided that the property purchased is not for resale.

There are four state rate differentials, which include:

- 1.5 % rate for manufacturing and farm machinery,
- 2.0 % rate for automotive vehicles,
- 3.0 % rate for food sold through vending machines, and
- 4.0% general rate for all other items.

Local governments may also impose a sales and/or use tax. Alabama's sales and use tax statutes contain many items advantageous to businesses. These statutes allow exemptions for specific organizations and commodities (see Section 40-23-et al, Code of Alabama 1975). Some of the more common items that are exempt include: gasoline, lubricating oil, fertilizer and insecticides, feed for livestock, wholesale sales, and sales to governmental entities.

Exemptions:

• Raw Materials Exemption. Raw materials used by manufacturers or compounders as an ingredient or component part of their manufactured or compounded product are specifically exempt from sales and use taxation.

• Pollution Control Equipment Exemption. All equipment or materials purchased primarily for the control, reduction or elimination of air or water pollution are exempt from state sales and use tax.

• Utility Gross Receipts Tax Exemptions. There are several exemptions from the utility gross receipts tax. Sewer costs are not taxed. Water used in industrial manufacturing in which 50 percent or more is used in industrial processing is also exempt from the utility gross receipts tax. Additionally, Alabama law allows exclusions from the utility gross receipts tax and the utility service use tax for utility services used in certain types of manufacturing and compounding processes. The law allows exemptions for:

The furnishing of electricity to a manufacturer or compounder for use in an electrolytic or electro-thermal manufacturing or compounding process,

Natural gas which becomes a component of tangible personal property manufactured or compounded (but not used as fuel or energy), and

Natural gas used by a manufacturer or compounder to chemically convert raw materials prior to the use of such converted raw materials in an electrolytic or electro-thermal manufacturing or compounding process.

Abatements:

Qualifying industries may abate all state and the local non-educational portion of construction related transaction (sales and use) taxes associated with constructing and equipping a project. (Mortgage and recording taxes can also be abated, but only when title is conveying into or out of a public authority, county government, or city government.) The local granting authority must grant the abatement for the qualifying project before the abatement can be used.

Statutory Requirement(s): The qualifying project must constitute an “industrial, warehousing, or research activity” defined as any trade or business described in the 1987 Standard Industrial Classification (SIC) code, as:

Major Groups 20 to 39, inclusive,

50 or 51,

Industrial Group Number 737, or

Industry Numbers 0724, 4613, 8731, 8733, or 8734.

Expansion projects may qualify for abatement under a major addition provided the project meets an additional investment threshold requirement of: the lesser of 30% of the original cost of the industrial development property, or $2 million.

5.1.3. Grants and Other Financing Incentives

Industrial Development Grant Program (Site Preparation)

Alabama Act Number 91-635, as amended by Alabama Act No. 97-645, Act 99-590, Act 99-591, Act 2006-417 and Act 2007-300 authorizes the State Industrial Development Authority to sell bonds to make grants to counties, municipalities, local industrial development boards/authorities or economic development councils/authorities, airport authorities, port authorities or public corporations to pay for site preparation for land owned or possessed by lease by these entities. In order to be eligible for an industrial development grant, the activity occupying the project site must be a Qualifying Project, defined as:

“A project to be sponsored or undertaken by one or more investing companies at which the predominate trade or business activity conducted will constitute industrial, warehousing, or research activities, or which qualifies as a headquarters facility.”

The size of the grant depends upon the amount of capital investment as follow:

Capital Costs		**Percentage of Capital Cost**
Less than	$ 200,000	5.0%
$ 200,000 to	$ 499,999	3.5% (minimum $10,000)
$ 500,000 to	$ 999,999	2.5% (minimum $20,000)
$ 1,000,000 to	$ 1,999,999	1.5% (minimum $28,000)
$ 2,000,000 to	$ 9,999,999	1.0% (minimum $32,000)
$10,000,000 and	greater	0.75% (minimum $100,000; maximum $150,000)

Workforce Development: AIDT - Alabama's Workforce Training Program

AIDT, Alabama's state-sponsored workforce training program, is hailed as one of the nation's most effective programs of its type. AIDT has provided state-of-the-art industrial training for more than 200,000 workers with more than 3,500 organizations. AIDT's services are usually cost-free for new and expanding industries in Alabama. AIDT provides a total workforce management system for: recruiting, assessing and training potential employees, developing and producing training materials, providing training facilities & delivering customized services.

5.2. California

California Business Investment ServicesCalBIS serves employers, corporate real estate executives, and site location consultants who are considering California for business investment and expansion.[83]

5.2.1. Investment Assistance[84]

California Bus Investment Services (CalBIS) (www.labor.ca.gov/calBIS/) assists companies and investors interested in employing Californians. Major state-level incentives are described in this section. Note that many incentives are site driven and/or negotiated with local government on a case-by-case basis or under an existing local economic development policy. As needed, “A–Teams” comprised of state and local officials are assembled to bring public and private resources together to assist investors or companies interested in the Golden State.

5.2.1.1. Targeted Tax Credits

Economic Development Areas

The state offers four types of Economic Development Areas (EDAs): Enterprise Zones; Local Agency Military Base Recovery Areas (LAMBRA); Manufacturing Enhancement Areas (MEA); and, Targeted Tax Areas (TTA).

Enterprise Zones. Businesses located within the boundaries of an Enterprise Zone are eligible for tax credits.

The first major Enterprise Zone tax credit is equivalent to the sales and use tax paid on the first $1,000,000 Personal Income Tax or $20,000,000 (Corporate Tax Payers of qualified new or used manufacturing equipment purchased each year. Qualified machinery is machinery or parts used to:

• Manufacture, process, fabricate, or otherwise assemble a product;

• Produce renewable energy resources; or

• Control air or water pollution.

The definition of “qualified property” has been expanded to include data processing and communications equipment including, but not limited to, computers, CAD systems, copy machines, telephones systems and faxes. Equipment must be purchased in California unless equipment of comparable price and quality cannot be found in California.

[83] California Labor & Workforce Development Agency. (2009). *California Business Investment Services*[webpage]. Sacramento, CA. Accessed at http://www.labor.ca.gov/calBIS/cbincentives.htm.

[84] California Business Investment Services. (2008). *California Investment Guide: An Overview of Advantages, Assistance, Taxes and Permits.* Sacramento, CA. Accessed at www.labor.ca.gov/calbis.

The second major Enterprise Zone benefit takes the form of a credit equal to a percentage of the wages paid to a qualified employee. The credit is based on the lesser of the actual hourly wage or 150 percent of the state-established minimum wage. The credit is provided over a five-year period with 50 percent of the wages creditable in the first year of employment, 40 percent the second year, 30 percent the third year, 20 percent the fourth year, and 10 percent the fifth year. If the employee stays with the company for the entire 5- year period, the company receives credits totaling nearly $37,440 per qualified employee. If the employee is terminated prior to 270 days of employment, the credit is recaptured.

Other Enterprise Zone benefits that may apply in certain cases include:

• A 15-year carryover of up to 100 percent of net operating losses.

• Expensing of certain depreciable property.

Lender interest income from loan to zone businesses is deductible.

http://www.hcd.ca.gov/fa/cdbg/ez

LAMBRAs, MEAs, and TTAs are detailed in the above link. LAMBRA zones are a companion to Enterprise Zones. The most notable differences in incentives include enhanced equipment purchase eligibility under the sales and use tax credit; an annual wage limitation of $2 million per year under the hiring tax credit; and redefinition of qualified employees to include displaced military or civilian employees of the former base.

http://www.hcd.ca.gov/fa/cdbg/ez/lambra/

Research and Development Tax Credit

Designed to encourage businesses to increase their basic research and development activities in California, the research and development tax credit allows companies to receive a 15 percent credit against their bank and corporation tax liability for qualified in-house research expenses, and a 24 percent credit for basic research payments to outside organizations.

Qualified research expenses generally include wages, supplies and contract research costs. To qualify, a taxpayer's research must be conducted within California and include basic or applied research of scientific inquiry, original investigation for the advancement of scientific or engineering knowledge or improved function of a business component.

http://www.ftb.ca.gov/forms/misc/1082.pdf

Net Operating Loss Carryover

California tax law allows businesses that experience a loss for the year to carry this loss forward to the next year in order to offset income in the following years. New businesses can carry over 100 percent of their losses for 10 years if the loss is in their first year of operation.

http://www.ftb.ca.gov/forms/05_forms/05_3805qins.pdf

Empowerment Zones

The federal government has designated sections of several California communities as Renewal Communities, Empowerment Zones and Enterprise Communities (RC, EZs and ECs). The cities of Fresno, Los Angeles, Santa Ana, San Diego, San Francisco, Orange Cove, Parlier, and the counties of Imperial and Riverside have designated RCs, EZs or ECs. Benefits to businesses locating or expanding in these areas include:

Employer wage credits of 20 percent for the first $15,000 in wages paid to an individual who resides in the EZ up to $3,000; Section 179 deduction allowing businesses to deduct all or part of the cost of eligible property (machinery, furniture, equipment, computers) up to an additional $20,000;

• Availability of low interest rate taxexempt private activity bonds to finance industrial projects typically between $1- $3 million (some zones have substantially larger limits), often with fewer restrictions than those normally associated with tax-exempt bond financing;

• Possible city business tax exemptions;

• Postponement of capital gains on the sale of EZ/EC assets.

http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/index.cfm

Foreign Trade Zones

California's foreign trade zones (FTZ) are located in San Francisco, San Jose, Long Beach, Oakland, West Sacramento, San Diego, Palmdale, Los Angeles, Port Hueneme, Merced/Madera/Fresno counties, Stockton, Palm Springs, Santa Maria, Victorville, Eureka and Imperial, Butte and Riverside Counties.

FTZs are secured areas legally outside of U.S. customs territory usually located in or near customs points of entry. Foreign trade zones allow entry of foreign or domestic merchandise without formal customs entry or government excise taxes. Merchandise entering a zone may be stored, tested, sampled, relabeled, repackaged, displayed, repaired, manipulated, mixed, cleaned, assembled, manufactured, salvaged, destroyed or processed. Products exported from or imported into foreign trade zones are excluded from customs duty and excise taxes until the time of transfer from the foreign trade zone.

http://www.ia.ita.doc.gov/ftzpage.

New Markets Tax Credits

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in lowincome communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a sevenyear period. In each of the first three years, the investor receives a credit equal to 5 percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is 6 percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period.

NMTCs will be allocated annually by the Fund to CDEs under a competitive application process. As of 2007, allocates in California include Border Communities Capital Company, LLC of Solana Beach; Clearinghouse CDFI of Lake Forest; Impact Community Capital CDE, LLC of San Francisco; KHC New Markets CDE, LLC Series A of Carlsbad; Lenders for Community Development of San Jose; and WNC National Community Development Advisors, LLC of Costa Mesa.

http://www.cdfifund.gov/index.asp

5.2.1.2. Employee Training

Job Referral and Placement

California's Employment Development Department (EDD) works with businesses to access the state's entire workforce, as well as to coordinate recruitment activities with local community-based job training and placement organizations called "One- Stop Career Centers." EDD, in cooperation with the One-Stop network (http://www.edd.ca.gov/one-stop/), will help to customize and deliver preemployment and on-the-job training; recruit, screen, and assess workers for specific skills sets; and assist employers to maximize California Enterprise Zone and federal hiring tax credits.

Also, through its CalJOBSSM system (http://www.caljobs.ca.gov/), EDD's Job Service offers a statewide network that provides an instant link between employers and job seekers anywhere in California. This network provides employers with quick access to the largest available pool of job-ready applicants.

Local & Federal Training and Hiring Incentives

The amount of the tax credit varies by target group. The tax credit for target groups A, B, C, D, E, G, and H is 40 percent of qualified first year wages up to $6,000 if the individual is retained for at least 400 hours. If the individual is retained less than 400 hours but at least 120 hours a 25 percent tax credit is available on qualified first year wages up to $6,000.

The exception is target group F (summer youth). The maximum amount of wages to which the tax credit may be applied shall not exceed $3,000.

The tax credit for target group I, long-term family assistance recipient, is 40 percent of first year qualified wages up to $10,000 and 50 percent of second year qualified wages up to $10,000. The individual must be retained at least 180 days or 400 hours. In certain circumstances you may be able to claim either the 40 percent of $6,000 tax credit or the 40 percent of $10,000 tax credit.

http://www.edd.ca.gov/wotcind.htm

California Employment Training Panel

A skilled workforce is key to a company's ability to remain competitive. The Employment Training Panel (ETP) assists employer efforts to effectively train workers and maintain skilled workforces capable of responding to changing business and industry needs.

ETP-funded training works because employers make decisions about their own training programs; training investments help companies become more profitable; and, performance-based contracting ensures success.

The ETP job training funds are available to all California manufacturing companies, companies that face out-of-state competition and businesses that are expanding or relocating to California from other states or countries.

In addition to the manufacturing industry, and, of course, California's small business employers, the Panel also prioritizes:

* Nanotechnology
* Biotechnology and Life Sciences
* Goods Movement and Transportation Logistics
* Aerospace and Defense
* Advanced Technology Information Services
* Multimedia/Entertainment
* Healthcare
* Construction
* Agriculture

For more information regarding ETP, visit their website at www.etp.ca.gov or e-mail them at edu@etp.ca.gov

5.2.1.3. Financial Assistance

Industrial Development Bonds

To promote investment in land, buildings and new equipment associated with domestic manufacturing and processing operations, Congress created taxexempt Industrial Development Bond ("IDB") financing. As a result of federal and state income tax exemptions, IDB financing may be the most competitive financing option available for the acquisition of manufacturing facilities and equipment. IDBs allow qualified private-sector entities to borrow at the low interest rates normally reserved only for state and local government entities.

The California Infrastructure and Economic Development Bank (I-Bank), several local Industrial Development Authorities (IDAs) and some Joint Powers Authorities (JPAs) issue IDBs on a "conduit" basis. A conduit revenue bond is an obligation issued by a governmental agency, but payable solely from the loan repayments received from the borrower. The bonds do not constitute an obligation of either the state or the issuer. Please review the following important features of IDBs:

Industrial Development Bonds (IDBs) are taxexempt securities issued up to $10 million by a governmental entity to provide money for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities for private companies. IDBs can be issued by the I-Bank, local Industrial Development Authorities, or by Joint Powers Authorities.

• Manufacturing Facility. The project financed by the bonds must be a facility used for the manufacturing, production or processing of tangible property (including the processing resulting in the change of such property). No more than 25% of the bond proceeds can be applied to ancillary office, warehouse or other space.

• Qualifying Costs. At least 95% of the bond proceeds must be spent on qualifying costs. Qualifying costs are generally capital expenditures such as land, building and equipment and other depreciable property (and can also include capitalized interest during construction).

• Used Equipment. If bond proceeds are used to acquire used equipment, 100% of the cost must be spent on rehabilitation of the equipment within a two-year period.

• $40,000,000 Aggregate Limitation. A borrower and certain users may not be the beneficiary of more than $40,000,000 of certain tax-exempt bonds regardless of the location of the projects, during a three year period after the facility being financed is placed in service.

• Land. No more than 25% of the bond proceeds can be used to acquire land.

• Acquisition of Existing Manufacturing Facilities. The acquisition of an existing facility can be financed if at least 15% of the portion of the bond amount used to purchase the facility is spent on rehabilitation of the building within a two-year period.

• Maturity. The average maturity of the bonds cannot exceed 120% of the average economic life of the assets financed.

• No Working Capital or Inventory. Bond proceeds cannot be used to finance working capital or inventory

• $20,000,000 Capital Expenditure Limitation. The capital expenditures for the project, when added to the company's other capital expenditures in the same public jurisdiction as the project for the three years immediately preceding and three years following the closing of the financing of the project, cannot exceed $20,000,000.

• Public Benefits. The project financed by the bonds must meet certain public benefit criteria established by the California Debt Limit Allocation Committee (CDLAC), which include, among other things, the creation or retention of jobs. CDLAC's criteria for IDBs and other types of private activity bonds can be obtained at www.treasurer.ca.gov/cdlac/.

• Prevailing Wage. The prevailing wage must be paid to workers involved in the construction or renovation of a facility financed with IDBs in compliance with Chapter 1 (commencing with Section 1720) of Part 7 of Division 2 of the Labor Code and implementing regulations. California Labor Code, Division 2, Part

7, Chapter 1, Article 1, Section 1720-1743 can be viewed at http://www.leginfo.ca.gov. No Pre-Payment Penalty.

• Credit Requirements. The borrower must generally secure a letter of credit in the amount of the bonds from a bank with a long-term credit rating of "A" or better. An unrated private placement with a Qualified Institutional Buyer is also possible under certain conditions. The IDB financing process can generally be completed within 150 days. The conduit issuer’s staff and a financing team, which typically consists of an underwriter, bond counsel and financial advisor, will assist the applicant through each stage of the process.

http://www.ibank.ca.gov/

http://www.treasurer.ca.gov

http://caled.org

California Alternative Energy & Advanced Transportation Authority (CAEATFA)

Sales & Use Tax Exemptions for Zero Emission Vehicle (ZEV) Manufacturing

Under CAEATFA's authorizing statute, the authority’s purpose is to provide industry in California with alternative methods of financing alternative energy and advanced transportation technologies. The statute defines advanced transportation as: "emerging commercially competitive transportation-related technologies identified by the authority as capable of creating longterm, high value-added jobs for Californians while enhancing the state's commitment to energy conservation, pollution reduction, and transportation efficiency." (California Public Resources Code Section 26002.3(d)).

The CAEATFA Board has directed authority staff to explore proposals for providing sales and use tax exemptions for the purchase of ZEV manufacturing equipment. The goal of this new ZEV program is to create a strong new ZEV industry within California that reduces green house gas emissions and creates new long-term high value-added jobs.

This exemption is created through a saleslease- back approach where : CAEATFA purchases specified equipment (tangible personal property, not real property) on behalf of company X. CAEATFA finances this purchase through a bond or loan. Company X then leases the equipment from CAEATFA, with the lease payments paying for the bond or loan. As envisioned, the lease would stay in existence only from the time of the equipment purchase until the equipment is placed in use. By statute, CAEATFA does not have to pay sales tax on the equipment it purchases. The Board of Equalization (“BOE”) oversees state sales and use tax issues and would be consulted in the process.

http://www.treasurer.ca.gov/caeatfa/

Pollution Control Financing

The CPCFA provides tax-exempt bond financing for pollution control projects. Their Tax-Exempt Bond Financing Program gives California businesses help with acquisition or construction of qualified pollution control, waste disposal, or waste recovery facilities, and the acquisition and installation of new equipment.

They also offer a Sustainable Communities Grant and Loan Program that assists communities implementing "smart growth strategies," and the CalReUSE Program that offers low-interest, forgivable loans to assist public and private partners in redeveloping contaminated "brownfields." The California Capital Access Program (CalCAP) helps small-business borrowers obtain loans.

http://www.treasurer.ca.gov/cpcfa/

Small Business Loan Guarantee

The Small Business Loan Guarantee Program allows a business to not only acquire a loan it could not otherwise obtain, but to establish a favorable credit history with a lender so that the business may obtain future financing on its own.

Eligible Applicants: Any small business as defined by the U. S. Small Business Administration (typically businesses that employ one hundred people or less).

Eligible Uses: Proceeds must be used primarily in California and for any standard business purpose beneficial to the applicant's business, such as expansion into new facilities or purchase of new equipment.

Guarantee Amount: Guarantees can cover up to 90% of the loan amount, with the guaranteed portion of the loan not exceeding $500,000. The guaranteed percentage varies and subject to negotiation between the FDC and the lender.

Loan Information: The term of the loan guarantee may extend up to seven years:

• Interest rates are negotiated between the borrower and the lender. The FDC may charge a guarantee fee of up to 2% for guarantee amounts up to $150,000, and 3% for guarantee amounts over $150,000, plus a documentation fee of $250.

• Processing time takes three to five weeks, depending on how quickly the applicant provides the necessary information and documentation, and on the lender's responsiveness.

• Collateral is generally required, but each transaction is tailored to meet the borrower's financial situation.

http://www.calbusiness.ca.gov/cedpgybfasblgp.asp

SBA (Small Business Administration) 504 loans are marketed, processed, closed and serviced by Certified Development Corporations (CDC). Through the SBA 504 Program, CDCs provide up to 90 percent of fixed-asset financing costs. The second mortgage, long-term, fixed-rate financing nature of the program allows banks to participate in business expansion by reducing risk exposure. The benefit to the borrower is a lower down payment requirement (10 percent) and a longerterm, fixed-rate loan, which translates into reduced monthly payments.

The maximum SBA debenture is $1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every $50,000 provided by the SBA except for "Small Manufacturers" which have a $100,000 job creation or retention goal.

Individual job goals can be somewhat flexible if the CDC's overall portfolio meets the requirements. At that point, community impact and public policy goals can be mitigating factors. Eligible 504 loan uses include the purchase of land, existing buildings, new construction, and the acquisition of machinery and equipment with a 10-year useful life. The private sector participant finances 50 percent of the project cost and takes a first lien on assets pledged as collateral.

The SBA takes a second lien on assets and finances up to 40 percent of the project cost, up to $1 million in some cases. Borrowers inject 10 percent in the form of cash or equity in real estate. For more information on SBA 504 loans, call the California Statewide Certified Development Corporation toll free at (800) 348-6258.

http://www.sba.gov/services/financialassistance/basiex.html

USDA Rural Development

The U.S. Department of Agriculture sponsors "Business & Industry" guaranteed loans in rural communities. USDA guarantees up to 80% on loans from $750,000 to $5 million and up to 70% on loans up to $10 million. Rates are fixed or variable and negotiated between lender and business. Terms are typically seven years for working capital, 15 years on equipment and 30 years on real estate. Lenders negotiate their own fees and the USDA charges 2% of the guaranteed amount as a one-time fee. Most types of businesses qualify but the project must be in a rural area beyond the urbanized periphery surrounding a city of 50,000 or more. Communities that have grown beyond 50,000 since the 2000 census may still be eligible.

http://www.rurdev.usda.gov/ca/index.htm

Recycling Market Development Zone Revolving Loan Program

The Recycling Market Development Zone (RMDZ) Revolving Loan Program makes capital available for California manufacturers located in RMDZs. The program provides direct loans to eligible businesses that manufacture recycled raw materials, produce new recycled products, or that reduce waste from the manufacture of a product. These loans promote market development for post consumer and secondary waste materials and Divert waste from non-hazardous California landfills. Funds may be used to acquire equipment, make leasehold improvements, purchase recycled raw materials and inventory, or acquire real property. Applicants may borrow a maximum of 75% of the cost of a project or $2 million. Terms are generally 10 years and low interest rates are fixed.

http://www.ciwmb.ca.gov/rmdz/loans/

5.2.1.4. Local Incentive Options

Capital Investment Incentive Payments

California has enabled cities and counties to negotiate property tax rebates with high-tech manufacturing companies. Under the law, local governments can cap the taxable value of any new high-tech manufacturing plant at $150 million annually for up to 15 years. The manufacturer is then charged an annual "community services fee" of approximately $2 million.This program commenced in the 1998-99 fiscal year and can only be approved by a majority vote of the local governing body. The Business, Transportation & Housing Agency certifies that businesses described in Standard Industrial Classification (SIC) Codes 3500 to 3899 are eligible for the program. (California law still references the SIC codes. To identify the newer North American Industry Classification System (NAICS) code for these types of businesses, go to: http://www.census.gov/epcd/www/naicstab.htm.) Special districts and school districts may also participate in the payment of Capital investment incentive payments, although they may not make payment of an actual allocation. A Community Services Agreement (CSA) dictates community service fee remittances, in amounts equal to 25 percent of the capital investment incentive amount calculated for that project proponent for that fiscal year. This fee cannot exceed $2 million in any fiscal year. Employees at the facility specified in the CSA must be covered by an employer-sponsored health benefits plan and the average weekly wage, exclusive of overtime, cannot be less than the state average weekly wage. The "state average weekly wage" means the average weekly wage paid by employers to employees covered under unemployment insurance, as reported to the Employment Development Department for the last four calendar quarters.

Contact your local city or county for more information.

Local Revolving Loan Funds

Enterprising communities throughout California have recognized that revolving loan funds (RLF) are important economic development tools. The United States Economic Development Administration, Department of Agriculture and Housing and Urban Development’s Community Development Block Grant Program typically capitalize RLFs. Their proceeds often provide critical capital to deserving small businesses, which in turn, provide needed jobs in urban and rural areas throughout California.

Certain businesses may be targeted for assistance and most often the loan will be provided as part of an overall package in the form of gap financing. RLFs are guided by policies that outline loan or loan guarantee sizes, uses, rates, terms, special conditions and participation levels.

The goals, objectives and priorities of the program are weighed against the portfolio's requirements and loans are approved or denied by a Loan Administration Board. Conventional lending is required, with the RLF taking a second or third mortgage position. Personal and/or corporate guarantees are required. Contact your local city or county for more information.

Redevelopment Area

Various forms of financial assistance are available through local redevelopment agencies in California. Business may benefit through direct financial assistance, land assemblage, bond issuance and/or construction of public improvements.

Redevelopment is funded through incremental property tax revenue increases that are a direct result of private investment and increased property values. Assistance may be in the form of fee reductions, infrastructure improvements, land cost reductions, mortgage interest reductions, rehabilitation/ demolition/ clearance of existing structures, and utility tax rebates. Legislation enables the redevelopment agency to provide financing for manufacturing projects under certain conditions. Capital financing or long-term operating leases may also be permitted. Contact your local redevelopment agency or the California Department of Housing and Community Development at http://www.hcd.ca.gov.

5.2.2. State Taxes

Corporation Income Tax: The Franchise Tax Board http://www.ftb.ca.gov/ administers an 8.84 percent tax (known as the "Bank and Corporation Franchise Tax") on net corporate income.

California S Corporations are subject to a tax rate of 1.5 percent on net income.

California uses the unitary method to determine the portion of income reasonably attributable to this state and thus subject to the Bank and Corporation Franchise Tax.

Corporations deriving income from sources both within and outside the state are required to report the income of all related business units in a combined report. The combined income derived from all business activity is apportioned to each state or nation using an apportionment formula. The percentage of property, payroll, and sales attributed to California, versus worldwide operations, is calculated. They are then added together, with double weight given to sales, and divided by four.

This calculation determines the percentage of the unitary or combined income subject to California's bank and corporation franchise tax.

Apportionment Formula = percentage of unitary income subject to California's corporate tax.

Multinational corporations may make a "Water's Edge" election whereby they exclude most income derived from foreign operations from the combined report. Foreign business units or corporations that have an apportionment percentage in excess of 20 percent must be included in the combined report. The election lasts for seven years, but is continuously renewed unless a notice of non-renewal is filed by the business. http://www.ftb.ca.gov/aboutFTB/manuals/audit/water/

Sales and Use Tax: Administered by the Board of Equalization, the State of California and local jurisdictions impose sales and use taxes that average approximately 7.25 percent. The sales tax applies to the gross receipts of retailers from the sale of tangible personal property which is not specifically exempt. Specific exemptions include most food for home consumption and prescription medicine. Sales tax is imposed at the point of sale. It is the responsibility of the retailer, but paid by the purchaser.

Use tax is paid on items purchased for the intent of use in California. Intent of use is defined as used in California within 90 days of purchase. The tax is self-reported and paid at the rate applicable in the jurisdiction in which the item will be used less the tax paid in another state.

Note: Construction materials are not exempt from sales tax. Construction labor is not taxed. http://www.boe.ca.gov/

Property Taxes: County government levies and administers property taxes. The State Board of Equalization performs an oversight role relative to county assessors' activities. Property tax is levied on 100 percent of assessed valuation. The tax rate is 1 percent plus a component representing bonded indebtedness for the district in which the property is located on the lien date. The average property tax rate in California is 1.1 percent, but varies on a parcel basis. Real property is appraised upon change of ownership or new construction, and then adjusted annually at the lower of 2 percent or the rate of inflation as measured by the Consumer Price Index. Assessed values on real property may be reduced if the value is higher than the current market value.

Business personal property, including machinery, equipment, and fixtures is taxed at the same rate as real property, but is not subject to any special assessments. Unlike real property, business personal property is reappraised annually. Business owners must file a property statement with the county assessor each year detailing market value.

Finished goods and raw materials are not subject to property tax. Only finished goods held for use are assessed.

http://www.boe.ca.gov/proptaxes/proptax.htm

Unemployment Insurance: All employers are required to pay into the Unemployment Insurance Fund, which is used to pay unemployment benefits. All new employers are required to pay a rate of 3.4 percent on the first $7,000 in wages for up to three years.

There is a maximum of $434 per employee, per year. (Calculated at the highest UI tax rate of 6.2 percent x $7,000)

http://www.edd.ca.gov/taxrep/de44.pdf

Disability Insurance: Administered by the California Employment Development Department, this is an employee paid tax.

The State Disability Insurance (SDI) withholding rate for 2008 is 0.8%. The taxable wage limit is $86,698 for each employee per calendar year. The maximum to withhold for each employee is $693.58.

http://www.edd.ca.gov/direp/diind.htm

Workers' Compensation Insurance: California's workers' compensation system is overseen by the Department of Industrial Relations and the Department of Insurance. During 2004, Governor Schwarzenegger signed SB 899 into law. This landmark reform legislation that overhauled the workers' compensation system and required independent medical reviews, established employer-selected doctor networks and imposed uniform standards. As a result, insurance capital has flowed into the state and new insurers have entered the market.

According to the Department of Insurance, base rates have fallen over 35% since January 2004. To learn more about the program please go to:
http://www.insurance.ca.gov/0100-consumers/0060-information-guides/0030-business/

5.2.3. Permit Process

California can readily accommodate expansion and location projects with properly zoned, infrastructure-rich industrial and commercial sites. Many communities have also adopted state-of-the-art permit streamlining practices, which enable them to efficiently meet a company's project timeline. A number of counties have established Business Environmental Resource Centers that act as one-stop, nonregulatory offices set up to help businesses understand and comply with air quality, hazardous materials/waste, solid waste and water quality regulations. They act as neutral third-party mediators and their services are free and confidential. These communities will assign a project manager to personally guide an applicant through the permit process.

Overview of Permit Procedure

There are four elements that are generally required for a project to initiate the permit process. The following is a summary of the steps that a project may follow to become fully permitted in California.

1. An adequate description of the proposed project.
2. A completed application form of usually less than four pages.
3. The appropriate filing fee as determined by the local, state, or federal permitting authority.
4. California law requires development projects to be reviewed for any potential effects on the environment. Impacts on air and water quality, traffic, housing, and land use are generally considered. If there is a significant effect on resources, then further documentation may be required.

The permit process starts at the local level in the planning department. Local permits called "land use" permits are generally required to ensure that a proposed project or business is located in the appropriate region of the city that has been identified for similar use.

These regions, called "zones," are identified in the city or county's general plan, and represent what the local government (on behalf of the citizens of that community) requires of the business to operate in a particular zone. Land use permits ensure that the proposed project use is consistent with the general plan and verify that the proposed project conforms to the overall plan for the local community. When a proposed business first initiates the permitting process with the local authorities, it automatically begins an environmental review process. This is in the form of an “Initial Study,” which checks whether or not the project may have an effect (for example, increased demand) on such factors as water supply (yes, no or maybe). Any "yes" and "maybe" impacts may need to be mitigated, depending on the local environmental and political climate. A significant number of "yes" answers may inspire the lead agency (which is in charge of coordinating all permits), to require an Environmental Impact Report (EIR).The Permit Streamlining Act places lead agencies on strict timelines in which to issue all necessary permits.

5.3. Georgia

Georgia ranks ninth in total light vehicle production, seventh in cars, and eighth in trucks in the U.S., according to Ward's Communications.

Kia chose a site in Georgia for its rural location, labor force, and state and community incentives. The total state incentive package is worth about $258 million. Kia will receive $75.9 million in job tax credits against its tax liability over five years.

Community incentives include $130 million in property tax abatements over 15 years, and about $21 million from local authorities and utility providers for infrastructure improvements.

In Georgia, GM and Ford both made recent downsizing and closing announcements.

5.3.1. Taxation[85]

Tax Credits

Generally, corporate income tax credits are limited to 50 percent of the taxpayer's state income tax liability for a taxable year, but, under some circumstances, may offset up to 100 percent of the income tax or withholding liability. In some instances, tax credits can be stacked, resulting in realized tax savings greater than 50 percent. In most instances, unused tax credits may be carried forward 10 years. Taxpayers are given a choice between job tax credits or investment tax credits.

Tax Exemptions

Sales and use exemptions are available for a wide range of industries. Many Georgia counties exempt up to 100 percent of manufacturer's inventory under the local option Freeport law. In most counties, warehouse inventories are exempt from property taxes if the inventory is destined to be shipped out of state.

5.3.2. Financial Assistance[86]

Investment Tax Credits

Investment tax credits generally range from 8% to 1% of qualified capital investment. The exact credit depends on the tier level of the county where the investment occurs. Investment tax credits are available to an existing manufacturing or telecommunications business that has operated a facility in Georgia for three years prior to the investment and invests $50,000 or more. Higher level credits range from 8% to 3% [chart] for investment in recycled equipment, pollution control equipment, and for the conversion of a defense plant to manufacturing of a new product.

Optional Investment Tax Credits

[85] Georgia Department of Economic Development (2009). *Taxation* [webpage]. Atlanta, GA. Accessed at http://www.georgia.org/Business/Incentives/Taxation.htm.

[86] Georgia Department of Economic Development (2009). *Incentives* [webpage]. Atlanta, GA. http://www.georgia.org/Business/Investment+Tax+Incentives.htm.

The optional investment tax credit can be taken in lieu of the investment tax credit. The credits range from 10 percent to 6 percent of qualified capital investment.

This credit is available to taxpayers that qualify for investment tax credits. The requirements are the same except for the minimum investment ranging from $5 to $20 million.

Headquarters Tax Credits

Companies establishing or relocating their North American or International corporate headquarters [principal central administrative offices] in a Georgia community are eligible to receive an income tax credit of $5,000 per job per year for five years if the new jobs pay twice the county average wage rate.

The $5,000 credit is available in all counties regardless of tier level.

Research and Development Tax Credits

The R&D tax credit equals up to 10 percent of the additional R&D expense over a base amount. The base is computed from the previous three years' taxable income and research expenses.

Example: Taxpayer has base of $192,000. Current year's R&D expense is $5,192,000. Taxpayer is eligible to receive an income tax credit of $500,000 to reduce or eliminate Georgia income tax liability: [$5,192,000 - $192,000] x 10% = $500,000.

R&D tax credits are available to a business engaged in one of the categories to which the jobs tax credit is available (manufacturing, telecommunications, etc. Taxpayer must have positive net income for the previous three years. Taxpayer must qualify for a research credit under Section 41 of the 1986 IRS code to be eligible for the Georgia credit.

5.4. Illinois

Illinois Department of Commerce and Economic Opportunity's Bureau of Business Development administers a wide array of programs and services designed to help Illinois businesses thrive in today’s economy including expansion incentives, technology support services, access to capital, global marketing expertise, and job training and education for workers.[87]

5.4.1. Grants

Large Business Development Program (LBDP)

The LBDP program is designed to provide grants to businesses undertaking a major expansion or relocation project that will result in substantial private investment and the creation and/or retention of a large number of Illinois jobs. Funds available through the program may be used by large businesses for bondable business activities, including financing the purchase of land or buildings, building construction or renovation,

[87] Illinois Department of Commerce and Economic Opportunity (2009). *Business Development* [webpage]. Springfield, IL. Accessed at http://www.illinoisbiz.biz/dceo/Bureaus/Business_Development/.

and certain types of machinery and equipment. Grant eligibility and amounts are determined by the amount of investment and job creation or retention involved.

5.4.2. Tax Assistance

Economic Development For a Growing Economy Tax Credit Program (EDGE)

The EDGE program is designed to offer a special tax incentive to encourage companies to locate or expand operations in Illinois when there is active consideration of a competing location in another State. The program can provide tax credits to qualifying companies, equal to the amount of state income taxes withheld from the salaries of employees in the newly created jobs. The non- refundable credits can be used against corporate income taxes to be paid over a period not to exceed 10 years. To qualify a company must provide documentation that attests to the fact of competition among a competing state, and agree to make an investment of at least $5 million in capital improvements and create a minimum of 25 new full time jobs in Illinois. For a company with 100 or fewer employees, the company must agree to make a capital investment of $1million and create at least 5 new full time jobs in Illinois.

Enterprise Zone Program

The Illinois Enterprise Zone Program is designed to stimulate economic growth and neighborhood revitalization in economically depressed areas of the state. This is accomplished through state and local tax incentives, regulatory relief, and improved governmental services.

High Impact Business (HIB)

The HIB program is designed to encourage large-scale economic development activities, by providing tax incentives (similar to those offered within an enterprise zone) to companies that propose to make a substantial capital investment in operations and will create or retain above average number of jobs. Businesses may qualify for: investment tax credits, a state sales tax exemption on building materials, an exemption from state sales tax on utilities, a state sales tax exemption on purchases of personal property used or consumed in the manufacturing process or in the operation of a pollution control facility. The project must involve a minimum of $12 million investment causing the creation of 500 full-time jobs or an investment of $30 million causing the retention of 1500 full-time jobs. The investment must take place at a designated location in Illinois outside of an Enterprise Zone. The program has been expanded to include qualified new electric generating facility, production operations at a new coal mine or, a new or upgraded transmission facility that supports the creation of 150 Illinois coal-mining jobs, or a newly constructed gasification facility as a "Coal/Energy High Impact Businesses".

New Markets Development Program

The Illinois New Markets Development Program provides supplemental funding for investment entities that have been approved for the Federal New Markets Tax Credit (NMTC) program. This program will support small and developing businesses by making capital funds more easily available and will make Illinois more attractive to possible investors.

The NMTC program provides state and federal tax credits to investors that make investments into approved funds, which will make investments in eligible projects located in low income census tracks throughout Illinois.

The program provides non-refundable tax credits to investors in qualifying Community Development Entities (CDE's) worth 39% of the equity investment made into the CDE over a 7 year credit allowance period.

River Edge Redevelopment Zone

The purpose of the River Edge Redevelopment Program is to revive and redevelop environmentally challenged properties adjacent to rivers in Illinois.

The River Edge Redevelopment Zone Act authorizes DCEO to designate zones in three cities – Aurora, East St. Louis and Rockford.

Tax Increment Financing District (TIF)

Illinois law allows units of local governments the ability to designate areas within their jurisdiction as TIF districts. These specially designated districts are used by local governments as a way to spur economic growth by dedicating the sales tax revenues and additional property tax revenues generated with in the TIF for improvements within the district with the hope of encouraging new economic development and jobs.

5.5. Indiana

5.5.1. Tax Credit[88]

Economic Development for a Growing Economy (EDGE) Tax Credit

The Economic Development for a Growing Economy (EDGE) is a refundable tax credit program that rewards companies creating jobs and contributing to the growth of Indiana's economy. EDGE credits are calculated as a percentage of payroll tax withholding for net new Indiana jobs. EDGE credits may be awarded for a period of up to 10 years.

Headquarters Relocation Tax Credit

When a business relocates its corporate headquarters (defined as the location of the principal office of the principal executives) to Indiana, it is entitled to a credit against its state tax liability equal to half of the costs incurred in relocating the headquarters. A company must have a worldwide annual revenue of at least $100 million to qualify.

Hoosier Business Investment Tax Credit (HBITC)

[88] Indiana Economic Development Corporation. (2009). *Tax Credits* [webpage]. Indianapolis, IN. Accessed at http://www.in.gov/iedc/TaxCredits.htm.

This program encourages capital investment in Indiana by providing a credit against a company's Indiana tax liability. The credit amount is based on a company's qualified capital investment with the final credit amount determined by the Indiana Economic Development Corporation, based on an analysis of the economic benefits of the proposed investment.

Industrial Recovery Tax Credit

The Industrial Recovery tax credit provides an incentive for companies to invest in facilities requiring significant rehabilitation or remodeling expense. After a building has been designated as an industrial recovery site, companies may be eligible for a tax credit calculated as a percentage of qualified rehabilitation expense.

5.5.2. Grants[89]

21st Century Research and Technology Fund

The Indiana 21st Century Research and Technology Fund was created to stimulate the process of diversifying the State's economy by developing and commercializing advanced technologies in Indiana. The Board, representing most of the academic and commercial sectors of the State, approves awards.

Industrial Development Grant Fund (IDGF)

This grant provides money to local governments for off-site infrastructure projects associated with an expansion of an existing Indiana company or the location of a new facility in Indiana. State funding through the IDGF program must be matched by a combination of local government and company financial support.

5.6. Kentucky

The growth of the motor vehicle industry in Kentucky has placed it third among all states in the production of cars, and fourth in total light vehicle production.

"Lots of states were interested in landing us at the time," says TEMA's Wiseman. "We, as Toyota, chose Kentucky be-cause it is centrally located with access to the North American supply base. The quality of the workforce is excellent because it is a rural, hardworking area where people have an outstanding work ethic. At the time, getting a Japanese plant was controversial. We felt welcomed in Kentucky."

GM and Ford have been downsizing in this state.

5.6.1. Financial Incentives/Tax Credits[90]

A company approved under KIDA, KREDA, KJDA, KEOZ, or KESA must meet wage and benefit standards for at least 90 percent of its full-time employees. Companies must pay an hourly wage equal to or

[89] Indiana Economic Development Corporation. (2009). *Grants* [webpage]. Indianapolis, IN. Accessed at http://www.in.gov/iedc/grants.htm.

[90] Cabinet for Economic Development. (2009). *Kentucky Business Incentives*. Frankfort, KY. Accessed at http://www.thinkkentucky.com/kyedc/pdfs/kybusinc.pdf.

greater than 75 percent of the average hourly wage of the county of location, or 75 percent of the state's average hourly wage, whichever is less. The base hourly wage threshold shall be at least 150 percent of the federal minimum wage level. In addition, company non-mandated employee benefits must be at least 15 percent of the base hourly wage or a combination of wages and employee benefits equivalent to 115 percent of the base hourly wage. All tax credits and wage assessments for KIDA, KREDA, KJDA, KEOZ, and KIRA are subject to internal staff review and Kentucky Economic Development Finance Authority (KEDFA) approval.

Kentucky Industrial Development Act (KIDA)

Investments in new and expanding manufacturing projects may qualify for tax incentives for up to ten years. Companies must create at least 15 new full-time jobs and must make a capital investment of at least $100,000 in land, buildings, fixtures, and equipment. Projects approved under KIDA may receive state income tax credits or collect a job development assessment fee of 3 percent of the gross wages of each employee whose job is created by the approved project and who is subject to Kentucky's individual income tax.

Kentucky Rural Economic Development Act (KREDA)

Larger tax incentives for up to fifteen years are available for new and expanding manufacturing projects that create at least 15 new full-time jobs in certain Kentucky counties. Companies must make a capital investment of at least $100,000 in land, buildings, fixtures, and equipment. Projects approved under KREDA may receive state income tax credits and a job development assessment fee of 4 percent of the gross wages of each employee whose job is created by the approved project and who is subject to Kentucky's individual income tax for up to fifteen years.

Kentucky Jobs Development Act (KJDA)

Service and technology related companies that invest in new and expanded non-manufacturing, non-retail projects that provide over 75 percent of their services as generated through revenue to users located outside of Kentucky and that create new full-time jobs for at least 15 Kentucky residents may qualify for tax credits. Projects approved under KJDA may receive state income tax credits and job assessment fees for up to 50 percent of project startup costs and 50 percent of annual facility rental costs or rental value for up to 10 years.

The Kentucky Economic Opportunity Zone Act (KEOZ)

The Kentucky Economic Opportunity Zone Act (KEOZ) focuses on development of areas with high unemployment and poverty levels. Eligible companies include new or expanded manufacturing, service, or technology industries, which must invest at least $100,000 in the project and create at least 10 new full-time jobs for residents of the zone. Companies with projects approved under KEOZ may receive up to 100 percent credit against the Kentucky income tax liability on taxable income generated by the project(s) for up to 10 years.

Kentucky Enterprise Initiative Act (KEIA)

The Kentucky Enterprise Initiative Act is a means to attract new or encourage expansion of businesses involved in technology, manufacturing or tourism activities. KEDFA may grant a refund of the sales and use tax paid for construction material, building fixtures and R & D equipment purchased for the use in approved projects.

Kentucky Environmental Stewardship Act (KESA)

The "Kentucky Environmental Stewardship Act" provides for an income tax credit for up to 10 years if approved by the Kentucky Economic Development Finance Authority (KEDFA) and the following criteria are met: 1) Must have qualified eligible costs of at least $5 million. This includes 100 percent of the costs of providing the necessary skills training needed to produce the product and 25 percent of the equipment costs; 2) The costs must go towards the construction, rehabilitation or improvement of facilities necessary to produce the "Environmental Stewardship Product," which is defined as any new or improved product that has a reduced adverse affect on human health and the environment when compared to a current product; 3) Wages and benefits must meet statutory requirements; 4) The maximum claimed for any one year is 25 percent of the total authorized inducement; and 5) An approved company under this agreement is not entitled to take a recycling tax credit.

Kentucky Industrial Revitalization Act (KIRA)

Investments in the rehabilitation of manufacturing or coal mining and processing operations that are in imminent danger of permanently closing or that have closed temporarily may qualify for tax credits. An eligible company shall also include one that has closed but resumes operations. Eligible entities include manufacturing companies that save or create 25 jobs and coal mining and processing companies that intend to employ a minimum of 500 persons and intend on having a raw production of at least three million tons from the economic revitalization project facility. Projects approved under KIRA, may receive state income tax credits, and job development assessment fees for up to 10 years, limited to 75 percent of the costs of the rehabilitation or construction of buildings and upgraded machinery and equipment. The approved company can receive a job assessment fee of up to five (5) percent of the gross wages of each employee subject to Kentucky individual income tax whose job is preserved or created by the approved project. The employee receives credits for the fee against state income taxes and local occupational taxes. (KRS 154.01-010; 154.26-010 to 154.26-100; 141.310; 141.350; 141.403; and 136.0704)

Incentives for Energy Independence Act (IEIA)

To be eligible, a company must construct, retrofit, or upgrade a facility to: increase the production and sale of alternative transportation fuels; increase the production and sale of synthetic natural gas, chemicals, chemical feed stocks, or liquid fuels, from coal, biomass resources, or waste coal through a gasification process; or, generate electricity for sale through alternative methods such as solar power, wind power, biomass resources, landfill methane gas, hydropower, or other renewable resources. For an alternative fuel facility or gasification facility using coal as the primary feedstock to qualify, it must be carbon capture ready and have a minimum capital investment of $100,000,000. For an alternative fuel facility or gasification facility using biomass resources as the primary feedstock to qualify, it must be carbon capture ready and have a minimum capital investment of $25,000,000. Renewable energy facilities that meet the minimum electrical output requirement of at least one megawatt of power for wind, hydro, biomass, landfill methane, or generation of 50 kilowatts for solar, also qualify. The minimum capital investment for these projects is $1,000,000.

Tax incentives are available for up to 25 years, up to a maximum of 50 percent of the capital investment. KEDFA will negotiate the amount of incentives, and the types of incentives that will be made available to an approved company. The available incentives include sales and use tax refunds up to 100 percent of tax paid on tangible personal property made to construct, retrofit or upgrade a facility. A project may also be eligible to receive severance tax incentives up to 80 percent of taxes paid on the purchase or severance of coal; tax credits up to 100 percent of tax paid on corporate income or Limited Liability Entity Tax arising from the project, and wage assessments up to 4 percent of gross wages of each employee.

Additionally, advanced disbursement of post construction incentives using a formula based on percentage of labor component in construction and the utilization of Kentucky residents in construction phase may be available. Advance disbursements repayments may be based upon incentives earned in the future. (KRS 154.27-010 to 154.27-090)

OTHER INCOME TAX CREDITS

Unemployment Tax Credit

An Unemployment Tax Credit of $100 dollars is allowed for each eligible person hired for at least 180 consecutive days. To qualify for the credit, the company must hire a worker who has been unemployed for at least 60 days. Credits cannot be claimed for close relatives, dependents, a person with 50 percent or more ownership in a corporation or persons for whom the company receives federal payments for on-the-job training. (KRS 141.065)

Recycling Equipment Credit

Income tax credits are allowed for up to 50 percent of the installed costs of equipment used exclusively to recycle or compost postconsumer waste (excluding secondary and demolition wastes) and for machinery used exclusively to manufacture products composed substantially of postconsumer waste materials. For the year the equipment is purchased, the credit is limited to 10 percent of total credit allowed and 25 percent of the taxpayer's state income tax liability. The unused portion of the total allowable recycling credits can be carried forward to succeeding tax years, with the credit claimed during any tax year limited to 25 percent of the taxpayer's state income tax liability. For equipment sold, transferred or otherwise disposed of, there is a formula for calculating an allowable tax credit for equipment with a useful life of five or more years or for equipment with a useful life of five or less years. For equipment with a useful life of five or more years the formula is as follows: 1) Less than 1 year, no credit; 2) Between 1 and 2 years, 20 percent of the allowable credit; 3) Between 2 and 3 years, 40 percent of the allowable credit; 4) Between 3 and 4 years, 60 percent of the allowable credit; 5) Between 4 and 5 years, 80 percent of the allowable credit; and 6) Over five years is 100 percent of the allowable credit. For equipment with a useful life of less than five years the formula is as follows: 1) Less than 1 year, no credit; 2) Between 1 and 2 years, 33 percent of the allowable credit; 3) Between 2 and 3 years, 66 percent of the allowable credit; and 4) Over three years is 100 percent of the allowable credit. (KRS 141.390 and 141.0205)

Corporate Income Tax Credit for Use of Kentucky Coal

A corporation income tax credit is allowed for up to 4.5 percent of the value of Kentucky coal (excluding transportation costs) used for industrial heating or processing. The credit is allowed for 10 years following either the installation or conversion to coal burning units. The credit in any year cannot exceed the corporation's income tax liability minus other credits. Unused credits cannot be carried forward. (KRS 141.041)

Biodiesel Fuel Tax Credit

A state income tax credit is allowed for producers or blenders of “biodiesel” fuel or “blended biodiesel” fuel with a blend of at least 2 percent. “Biodiesel” or “blended biodiesel” producers receive a $1 credit per gallon produced or blended. Unused credits cannot be carried forward. (KRS 141.423)

Kentucky Clean Coal Incentive

The “Kentucky Clean Coal Incentive Act” provides for an income, or public service corporation property tax credit for new clean coal facilities constructed at a cost exceeding $150 million and used for purposes of generating electricity. Before the credit is given, the Environmental and Public Protection Cabinet must certify that a facility is reducing emissions of pollutants released during electric generation through the use of clean coal equipment and technologies. The amount of credit will be $2.00 per ton of coal mined in Kentucky and used in the facility and not already receiving tax credit. Any unused portions of this credit shall not be carried forward. (KRS 141.428)

Certified Historic Structures Income Tax Credit

A “Certified Historic Structures” tax credit on income, or franchise tax for financial institutions for the rehabilitation of a certified historic structure. The credit is 30 percent of the qualifying expenses for an owner-occupied property and 20 percent for all other properties. There is a seven year carry forward for any unused credit. The maximum credit an owner-occupied property owner may take is $60,000. (Creates a new section of KRS151)

Voluntary Environmental Remediation Property Income Tax Credit

An income tax credit of up to $150,000 per taxpayer shall be granted for expenditures to remediate contamination on qualifying voluntary environmental remediation property. The amount of the allowable credit for any tax year is limited to 25 percent of the maximum credit approved. The credit may be carried forward for up to 10 years. (KRS 132.020(1)(c); 132.200(21); 141.418; 224.01-400; and 224.01-405)

Major Recycling Project Tax Credit

A "Major Recycling Project" is one where the taxpayer: 1) Invests more than $10,000,000 in recycling or composting equipment; 2) Has 750 or more full-time employees and pays more than 300 percent of the federal minimum wage; and 3) Has plant and equipment with a total cost of over $500,000,000. A taxpayer with a "major recycling project" is entitled to an income tax credit for up to 10 years and up to 50 percent of the installed costs of the equipment. In each taxable year, the amount of credits claimed for all major recycling projects is limited to 1) 50 percent of the excess of the total of each tax liability over the baseline tax liability of the taxpayer; or 2) $2,500,000, whichever is less. A taxpayer with one or more projects will be entitled to a tax credit equal to the total for each major recycling project, but he may not take the standard recycling credit and the major project credit on the same equipment. (KRS 141.390)

G.E.D. State Income Tax Credit

A state income tax credit is provided an employer for the portion of the time given to an employee to study for the General Educational Development (G.E.D.) test. The credit is calculated by multiplying 50 percent of the hours released for study by the employee's (student's) hourly salary. The credit shall not exceed $1,250. (KRS 151B.127)

Insurance Coverage Affordability and Relief to Small Employers (ICARE)

The plan known as the Insurance Coverage Affordability and Relief to Small Employers (ICARE) Program establishes a consumer-driven health plan for small businesses. It is a four year pilot program that allows employers and small employer-organized association groups that will insure 2 – 25 employees or individuals to be eligible to participate. To qualify for the program the employer must do the following: 1) Pay wages that must be less than 300 percent of the federal poverty level wages and 2) pay at least 50 percent of the premium cost. The incentive will be $40 per month per covered employee or $60 per month per employee depending on the type of coverage the employee has. These incentives will be reduced by one fourth of the amount each year at renewal until the incentive zeros out at the end of four years.

Broadband Loan/Grant Program

The program is administered by the Kentucky Infrastructure Authority with input from ConnectKentucky, the area development districts, and other interested businesses and government entities. Public or private providers can apply for funding for broadband applications to cover areas currently unserved by a broadband provider.

Order of Use of Credits

State statutes specify the order in which Kentucky income tax credits must be taken when a taxpayer is entitled to more than one (1) business incentive tax credit for a tax year: (KRS 141.0205)

Individual Income Tax Nonrefundable Credit Order:

1. Credit for individual members of flow through entities for tax paid at corporate level.

2. Economic development credits for KIDA, KREDA, KJDA, KIRA, KEOZ, KRA, or Skills Training (See discussion of Bluegrass State Skills Corporation);

3. Certified rehabilitation credit;

4. Health insurance credit;

5. Credit for tax paid to other states;

6. Credits for hiring unemployed persons;

7. Recycling or composting equipment credit;

8. Kentucky Investment Fund Act (KIFA) credit;

9. Coal incentive credit;

10. Research facilities credit;

11. Employer GED incentive credit;

12. Voluntary environmental remediation credit;

13. Biodiesel credit;

14. Environmental stewardship credit; and

15. Clean coal incentive credit.

Corporation Income Tax Nonrefundable Credit Order:

1. Economic development credits for KIDA, KREDA, KJDA, KIRA, KEOZ, or Skills Training (See discussion of Bluegrass State Skills Corporation);

2. Certified rehabilitation credit;

3. Health insurance credit;

4. Credit for hiring unemployed persons;

5. Recycling equipment credit;

6. Coal conversion credit;

7. Kentucky Investment Fund Act (KIFA) credit;

8. Coal incentive credit;

9. Research facilities credit;

10. Employer GED incentive credit;

11. Voluntary environmental remediation credit;

12. Biodiesel credit;

13. Environmental stewardship credit; and

14. Clean coal incentive credit.

5.6.2. Direct Loan Program

Kentucky Economic Development Finance Authority (KEDFA)

KEDFA encourages economic development, business expansion, and job creation by providing business loans to supplement other financing. KEDFA provides loan funds at below market interest rates. The loans are available for fixed asset financing (land, buildings, and equipment) for business startup, locations, and expansions that create new jobs in Kentucky or have a significant impact on the economic growth of a community. The loans must be used to finance projects in agribusiness, tourism, industrial ventures, or the service industry. No retail projects are eligible.

Small Business Direct Loans

The Small Business Loan Program is designed to helps small businesses acquire funding needed to start or grow their small business. A small business must be engaged in manufacturing, agribusiness, or service and technology. Loan funds may be used to acquire land and buildings, purchase and install equipment, or for working capital.

Research Facilities State Income Tax Credit

A state income tax credit is provided for investment in facilities used to pursue research. The income tax credit is equal to 5 percent of the qualified cost for "construction of research facilities" for “qualified research” as defined in Internal Revenue Code Section 41. The credit is available to new and existing businesses that construct, remodel, expand, or equip research facilities, but does not include replacement property. Any unused credit may be carried forward for 10 years.

Utility Incentive Rates

Electric and gas utility companies regulated by the Kentucky Public Service Commission (excluding municipal systems) can offer economic incentive rates for certain large industrial and commercial customers. The special discount rates can be granted for up to 5 years for both new and expanding operations. Gas utility companies also can offer a discount or waiver of gas main extension costs. The specific discount terms are set by contracts negotiated with the utility companies, subject to approval by the Public Service Commission.

5.6.3. Special Economic Development Project Incentives

For economic development projects that will result in the creation of at least 500 new jobs, county fiscal courts may organize a district for purposes of levying taxes. The additional taxes may pay for the establishment, operation, and maintenance of governmental services provided to the district that exceeds the level of services provided to other areas of the county. The additional taxes that may be imposed in the district are a special ad valorem tax not to exceed $0.10 per $100 of assessed value and an occupational license tax. (KRS 68.600 to 68.606)

5.7. Michigan

Free One-On-One Business Counseling. This free business development service is available to qualifying companies throughout the state. The Michigan Small Business & Technology Development Center (MI-sbTdc) Web site can provide more details on this service. [91]

5.7.1. **Products & Services**[92]

Brownfield Redevelopment

Brownfield is a term describing the obstacle to industrial or commercial property redevelopment caused by the threat of liability for existing contamination. In Michigan, that obstacle has been removed. Buyers and lenders are now reliably protected from liability under Michigan law.

Capital Access Program

The Capital Access Program (CAP) is one of the Michigan Economic Development Corporation's (MEDC) innovative programs available to assist businesses with capital needs. It uses small amounts of public resources to generate private bank financing, providing small Michigan businesses access to bank financing that might not otherwise be available.

Charter One's Job Creation Loan Program

The Michigan Economic Development Corporation (MEDC) with the State of Michigan and Charter One have teamed up to provide access to affordable financing for businesses whether it involves investing in equipment or machinery to expand operations, or purchasing a building to broaden their distribution.

Commercial Rehabilitation Act (PA 120)

Commercial property that is 15 years or older may be eligible for a property tax abatement. Public Act 210 of 2005 was amended in 2006 to allow any city, village or township unit of government to grant property tax abatement on commercial real property.

Employee Training Under Michigan's Economic Development Job Training (EDJT) Program

The EDJT program seeks to ensure that Michigan has the training resources to retain and attract business and people to move into the 21st century with a highly skilled workforce.

Equity Capital

Equity capital is the financing made available for investment in promising firms but with a risk of exposure greater than what is acceptable to traditional institutional lenders. Financing is provided by sophisticated investors who seek investments that hold the prospects for large capital gains.

High-Tech MEGA Program

[91] Michigan Economic Development Corporation. (2009). *Start a Business* [webpage]. Lansing, MI. Accessed at http://www.michiganadvantage.org/Start-a-Business/Default.aspx.

[92] Michigan Economic Development Corporation. (2009). *Products & Services* [webpage]. Lansing, MI. http://www.themedc.org/Products-Services/A-Z-Programs/Default.aspx.

This program promotes the development of high-tech businesses in both traditional and emerging industries in Michigan by providing a tax credit against the Michigan Business Tax (MBT).

Industrial Property Tax Abatement (PA 198)

Industrial property tax abatements provide incentives for Michigan manufacturers to build new plants, expand existing plants, renovate aging plants, or add new machinery and equipment. High-technology operations are also eligible for the abatement.

MEGA Tax Credit Program

The Michigan Economic Growth Authority (MEGA), the state's response to interstate competition for company expansions and relocations, may provide a refundable tax credit against the Michigan Business Tax (MBT) to companies expanding or relocating their operations in Michigan.

Michigan Business Ombudsman

The Michigan Business Ombudsman office acts as an advocate and problem solver for Michigan's businesses, assisting them in directing and communicating their concerns, problems and needs to the appropriate state agency.

Michigan Manufacturing Technology Center (MMTC)

The Michigan Manufacturing Technology Center (MMTC) offers direct technical assistance to small and medium sized manufacturers to connect them to the best manufacturing practices and technologies available. State and federal funding in combination with links to national industry groups, major manufacturers, automation equipment vendors, universities, and research laboratories make it possible for MMTC to offer services that would not otherwise be affordable.

Michigan Technical Education Centers (M-TEC)

With an investment of $60 million dollars, 18 state-of-the-art Michigan Technical Education Centers (M-TECs) have been constructed within the Michigan community college system. The M-TEC network provides an outstanding statewide educational, training, and workforce development infrastructure for Michigan's businesses.

SBA Certified Development Company (504) Loans

The U.S. Small Business Administration's SBA 504 program provides small- and medium-sized businesses with long-term fixed rate financing for the acquisition or construction of fixed assets.

SmartZones

SmartZones provide distinct geographical locations where technology-based firms, entrepreneurs and researchers locate in close proximity to all of the community assets that assist in their endeavors. SmartZone technology clusters promote resource collaborations between universities, industry, research organizations, government and other community institutions, growing technology-based businesses and jobs. New and emerging businesses in SmartZone technology clusters are primarily focused on commercializing ideas, patents and other opportunities surrounding corporate, university or private research institute R&D efforts.

Urban Land Assembly Program

The Michigan Economic Development Corporation (MEDC) administers the Urban Land Assembly Program. The program provides financial assistance in the form of loans to eligible municipalities for the acquisition of certain real property for economic development purposes, including industrial and commercial projects. The program is directed toward revitalizing the economic base of cities experiencing economic distress and decline.

Virtual Incubator - AME

AME is a virtual incubator partnership between the Michigan Economic Development Corporation (MEDC) and the Michigan Small Business & Technology Development Center (MI-SBTDC). Its purpose is to build healthy, lasting businesses.

5.8. Mississippi[93]

5.8.1. Taxes & Credits

A number of corporate income tax credits are available in Mississippi. Listings of the more commonly used credits are briefly described here, but there are also some industry specific incentives that may also be applicable.

Jobs Tax Credit (§ 57-73-21)

Jobs tax credits are available to certain types of businesses that create and sustain new jobs in Mississippi. The following businesses qualify for these credits:

Manufacturers, Wholesalers, Processors, Research and Development, Distributors, Warehousers, Air and Transportation Maintenance Facilities, Telecommunications Companies, Data and Information Processing Companies, Computer Software Development Enterprises, Recreational Facilities that impact Tourism, Resort hotels having a minimum of 150 rooms, Movie Industry, and Technology intensive facilities.

Jobs tax credits are taken against Mississippi corporate income tax. This credit is calculated as a percentage of eligible payroll each year for five years, based on job location and salary paid. The credits are taken in years two through six after the new jobs are created.

Counties in Mississippi are each placed into one of three Tiers based on the county's level of economic development (see rankings on the last page of this document.) Based on these tiers, the jobs credits are available as shown below:

[93] Mississippi State Tax Commission. (2008). Mississippi Tax Incentives, Exemptions and Credits. Jackson, MS. Accesssed at http://www.mstc.state.ms.us/revenue/incentive/2008IncentiveBook.pdf.

County Classification	Jobs	Credit Amount
Tier III	10 or more	10% of Payroll
Tier II	15 or more	5% of Payroll
Tier I	20 or more	2.5% of Payroll

To be eligible for this credit the employer must create and maintain an annual average employment of the minimum number of jobs required based on location. Unused jobs tax credits can be carried forward up to five years.

Rural Economic Development (RED) Tax Credit (§ 27-7-22.3)

Rural Economic Development (RED) credits are taken against Mississippi corporate income tax. RED credits are used in conjunction with industrial revenue bonds issued by the Mississippi Business Finance Corporation (MBFC). The credits are based on the amount of bond-related debt service and can be used to offset up to 80% of the state corporate income tax liability attributable to the project each year for the life of the bonds. Unused RED credits may be carried forward for three years.

Businesses that qualify for bonds include: Manufacturers; Telecommunications companies, Data information and processing facilities, and distribution and warehouse facilities with 50 employees, or 20 employees and a minimum capital investment of $5,000,000; National or Regional Headquarters with 35 jobs and a minimum capital investment of $2,000,000; and Research and Development or technology intensive enterprises with a minimum of 10 employees earning at least 150% of the average state wage and having a minimum capital investment of $2,000,000.

In instances where a company already has a presence in Mississippi and plans to expand its facility, a formula is used to determine what percentage of the income can be offset from the credits generated by debt service. The percentage is calculated using a three-factor ratio, with the new-to-existing jobs percentage double weighted against the new-to-existing assets percentage.

Existing Manufacturer Tax Credit (§ 27-7-22.30)

Income tax credits for existing manufacturers that have operated in Mississippi for at least two years are available if an existing manufacturer invests at least $1,000,000 in additional buildings and/or equipment. The company is eligible for an income tax credit of 5% of the approved investment.

This credit is allowed for the year that the investment occurs, and can be carried forward for up to five years, with the maximum tax credit allowed on any project being $1,000,000.

Growth and Prosperity Program (GAP) (§57-80-9)

A GAP designation may be awarded to eligible businesses in specific geographic areas of the State that exempts the business from income tax for up to ten years. See details of this incentive under “Other Incentives.”

Research and Development Jobs Credit (§ 57-73-21)

An income tax credit of $1,000 per full-time job is available to certain types of businesses that create and sustain new jobs requiring research and development skills. The following businesses qualify for this credit: Manufacturers, Wholesalers, Processors, Research and Development Distributors, Warehousers, Air and Transportation Maintenance facilities, Telecommunications companies, Data and information processing companies, Computer software development enterprises, Recreational facilities that impact tourism, Resort hotels having a minimum of 150 rooms, Movie industry, and Technology intensive facilities.

This credit can be in addition to the jobs credit, is allowed throughout the state, and is available for five years. Unused credits can be carried forward for up to five years.

Qualified positions must require a Bachelor's degree in a scientific or technical field and be compensated at a professional level. Examples of professions qualifying for the research and development credit are engineers and chemists. The Mississippi State Tax Commission will determine the eligibility of all positions requesting qualification.

National or Regional Headquarters Jobs Credit (§ 57-73-21)

Multi-state businesses that establish or transfer a national or regional headquarters in Mississippi are eligible for income tax credits for five years, provided that they create and maintain a minimum of 35 headquarters jobs, as determined by the Mississippi State Tax Commission.

This incentive is not available for national or regional sales offices.

The base credit is $500 per full-time employee, but the credit amount may increase if the salary of the position exceeds annual average state wages. For each position with a salary that is 125% or more of the annual average state wage, the credit is increased to $1,000 per employee per year. For each position with a salary that is 200% of the annual average state wage, a maximum credit of $2,000 per employee per year is allowed.

This credit is limited to 50% of the Mississippi income tax liability and is available for five years, provided that the number of headquarters jobs created remains at 35 or higher. The number of jobs must be created within one year. Unused credits can be carried forward for up to five years.

Skills Training Tax Credit (§ 57-73-25)

An income tax credit of 50% of the actual costs of employer-sponsored training is available to certain types of businesses that provide skills training to Mississippi employees.

The training must be offered or approved by the community college in the district where the business is located. Qualifying businesses are: Manufacturers, Wholesalers, Processors, Research and Development Distributors, Warehousers, Air and Transportation Maintenance facilities, Telecommunications companies, Data and information processing companies, Computer software development enterprises, Recreational facilities that impact tourism, Resort hotels having a minimum of 150 rooms, Movie industry, and Technology intensive facilities.

This credit is limited to 50% of the Mississippi income tax liability and can be carried forward up to five years from the year that costs were incurred.

National or Regional Headquarters Incentive (§27-65-101)

Out-of-state businesses that establish or transfer a national or regional headquarters to Mississippi are eligible for sales and use tax credits, provided that a minimum of 35 headquarters jobs are created and maintained for five years. The Mississippi State Tax Commission makes all determinations of whether jobs qualify as headquarters positions.

This incentive is not available for national or regional sales offices.

A full exemption of sales and use tax is available on machinery and equipment purchases. The exemption is valid from the beginning date that purchases are made through three months after initial start up.

Component building materials purchased directly by the eligible company are not subject to the contractor's tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor's tax.

This exemption does not cover tagged vehicles, ongoing expenses, or supply items.

10-Year Property Tax Exemptions (§27-31-101 through §27-31-115)

An exemption from property taxes on land, building, equipment, and certain inventory is available and is valid for up to 10 years. Manufacturers, Wholesalers, processors, research and development, distributor and warehouse facilities, air and transportation maintenance facilities, telecommunications companies, data and information processing companies, computer software development enterprises, recreational facilities that impact tourism, movie industry, and technology intensive facilities qualify for this credit.

The related municipal authorities and/or the local board of supervisors must approve this incentive. The exemption may be granted on all property taxes except school taxes, finished goods, and rolling stock.

Industrial Revenue Bond Exemptions

An exemption from property taxes on land, building, equipment, and certain inventory is available and is valid for up to 10 years on property purchased with industrial revenue bond proceeds from bonds issued by the Mississippi Business Finance Corporation (MBFC).

The related municipal authorities and/or the local board of supervisors must approve this incentive. The exemption may be granted on all property taxes except school taxes, finished goods, and rolling stock.

Free Port Warehouse Exemption (§27-31-51 through §27-31-61)

Local authorities may grant a freeport warehouse exemption on finished goods inventory leaving the state of Mississippi. The exemption may be for all property taxes and may be perpetual.

To be eligible for this exemption, an application to operate as a free port warehouse must first be made to the local governing authorities. The related municipal authorities and/or the local board of supervisors must approve this incentive.

To claim this exemption, an inventory of all personal property located in the warehouse as of January 1 must be provided to the local county tax assessor. At year-end, a percentage of all personal property that was shipped to a destination outside the state must be calculated and applied to the property value as of January 1. The result is the maximum exemption that can be taken for the year.

5.8.2. Incentives

Advantage Jobs Incentive Program (§57-62-1 et seq)

The Advantage Jobs Incentive Program provides for a rebate of a percentage of Mississippi payrolls to qualified employers for a period of up to 10 years. This incentive is available to businesses that promise significant economic development of the economy through the creation of jobs. The average of all jobs included in the program must meet the minimum average wage requirements.

The following businesses may qualify for this tax rebate:

Data or information processing enterprises that provide an average annual wage of 100% of the lesser of the average county or state wage. In Tier I and II counties, 200 new jobs must be created, with 100 new jobs required in Tier III.

Manufacturers or distributors that provide an average annual wage of 110% of the lesser of the average county or state wage. Additionally, the business must invest at least $20,000,000 in property, plant, and equipment. In Tier I and II counties, 50 new jobs must be created, with 20 new jobs required in Tier III.

Any business except retailers and gaming establishments that provides an average annual wage of 125% of the lesser of the average county or state wage. In Tier I and II counties, 25 new jobs must be created, with 10 new jobs required in Tier III.

Research and development enterprises that provide an average annual wage of 150% of the lesser of the average county or state wage. 10 new jobs must be created.

Technology intensive enterprises that provide an average annual wage of 150% of the state wage. 10 new jobs must be created.

In addition to meeting the above requirements, eligible businesses must also:

Provide a basic health benefits plan.

Execute a performance agreement with MDA specifying the manner in which the enterprise will utilize the rebate.

The amount available for rebate is the lesser of:

The qualified Mississippi personal income tax withheld;

A cost/benefit analysis prepared by MDA (the net benefit rate and the cumulative estimated net direct state benefit); or

A legal maximum of 4% of applicable wages

Once the amount available is determined, it is multiplied by:

90% if the annual average wage is at least 175% of the lesser of the average county or state wage;

80% if the annual average wage is at least 125% but less than 175% of the lesser of the average county or state wage; or

70% if the annual average wage is less than 125% of the lesser of the average county or state wage.

The company will have 24 months from the date of the Certificate to meet all program requirements, including jobs and salaries.

Growth and Prosperity (GAP)(§57-80-1 et seq)

The Growth and Prosperity Program designates specific counties as GAP counties and provides incentives to companies that locate or expand in these areas of the state. Companies that are approved for GAP will be exempt for a period of ten years.

Taxes that are included in this full exemption are:

Sales and use taxes on all equipment and machinery purchased during the initial construction of an approved facility is exempted. This exemption is valid from the date that the project begins until three months after start-up of the manufacturing process. This exemption does not cover tagged vehicles, ongoing expenses, supply items, or the contractor’s tax. Component building materials purchased directly by the eligible company are not subject to the contractor’s tax and can be exempted from sales/use tax. To qualify for this exemption, the component building materials must be excluded from the contract and must meet the criteria of being sold to, billed to, and paid for directly by the company and not the contractor. The labor portion of the contract remains subject to the 3.5% contractor’s tax.

All state income and franchise taxes related to the new location or expansion. In instances where an expansion is approved for companies already subject to Mississippi income and franchise tax, an apportionment formula will be used to determine the percentage of Mississippi income and/or capital that is exempt through GAP. This formula utilizes a property factor and a double weighted payroll factor based on GAP property and payroll divided by the total company property and payroll. Specific calculation guidelines can be obtained from the Mississippi State Tax Commission.

Property taxes levied on land, building, equipment and certain inventory at an approved facility in an approved GAP designated area. This exemption does not include school taxes and that portion of the property tax utilized to pay for fire and police protection.

Eligible counties are:

Tunica, Coahoma, Quitman, Tallahatchie, Bolivar, Sunflower, Leflore, Washington, Humphreys, Holmes, Sharkey, Yazoo, Claiborne, Jefferson, Wilkinson, Walthall, Jefferson Davis, Choctaw, Noxubee, Webster, and Clarke

Counties with Eligible districts are:

Yalobusha – District 4, Lowndes – District 4, Attala – District 4, Franklin – Districts 1 and 2, Adams – District 4, Amite – Districts 2 and 3, and Winston – District 4.

5.9. Missouri

The Missouri Department of Economic Development identifies eight "Industry Clusters" for targeting including automotive and transportation. The clusters are based on research provided by the Missouri Economic Research and Information Center (MERIC), existing initiatives, industry strength, and future growth potential.[94]

5.9.1. **Tax Incentives**[95]

Below are brief summaries of Tax Incentive programs offered by the state of Missouri through the Missouri Department of Economic Development (DED) and local communities.

Business Facility Tax Credit Program- Provide tax incentives to facilitate the expansion of new or existing businesses in Missouri that occurred prior to 1/1/2005.

Chapter 353 Tax Abatement - Tax abatement is available to for-profit "urban redevelopment corporations" organized pursuant to the Urban Redevelopment Corporation Law. Tax abatement under the Urban Redevelopment Corporations Law is extended to real property that has been found to be a "blighted area" by the city.

Enhanced Enterprise Zone - Provides state tax credits to new or expanding businesses in a Missouri Enhanced Enterprise Zone.

Enterprise Zone Tax Benefit Program - Provide tax incentives to facilitate the expansion of new or existing businesses in Missouri that occurred prior to 1/1/2005.

Quality Jobs Program- Facilitates new quality jobs by targeted business projects.

Rebuilding Communities Tax Credit Program - Helps stimulate eligible business activity in Missouri's "distressed communities" by providing state tax credits to eligible businesses that locate, relocate or expand their business within a distressed community.

[94] Business and Community Services (2009). Targeted Industries [webpage]. Jefferson City, MO: Department of Economic Development. Accessed at http://www.missouridevelopment.org/Business%20Solutions/Targeted%20Industries.html.

[95] Business and Community Services (2009). Financial and Incentive Programs [webpage]. Jefferson City, MO: Department of Economic Development. Accessed at http://www.missouridevelopment.org/Business%20Solutions/Financial%20and%20Incentive%20Programs.html.

Sales Tax Exemption - Machinery and equipment used to establish a new manufacturing facility or expand an existing manufacturing facility is exempt from local and state sales/use tax, provided such machinery/equipment is used directly to manufacture a product ultimately intended for sale.

5.9.2. Public Infrastructure Financing

Below are brief summaries of Public Infrastructure programs offered by the state of Missouri.

Brownfield Program - Provides financial incentives for the redevelopment of commercial/industrial sites that are contaminated with hazardous substances and have been abandoned or underutilized for at least three years.

Industrial Development Bond - Facilitate the financing of business projects. Cities or counties may purchase or construct certain types of projects with bond proceeds and lease or sell the project to a company. Costs that may be eligible costs are the purchase, construction, extension and improvement of warehouses, distribution facilities, and industrial plants.

Industrial Infrastructure Grant - Assists local governments in the development of public infrastructure that allows industries to locate new facilities, expand existing facilities, or prevent the relocation or closing of a facility. Grants must be made in cooperation with a city or county sponsor in a "non-entitlement" area where the project will be located. (Cities with populations less than 50,000 and/or counties with populations under 200,000). For-profit manufacturing, processing and assembly companies are prioritized.

Tax Credit for Contribution Program - Grants a tax credit equal to 50% of any moneys contributed by any taxpayer. The Contribution must be made to one of three "funds" established by the Board's statutes: the "industrial development and reserve fund," the "infrastructure development fund," or the "export finance fund." Contributions to the "industrial development guarantee fund" are not eligible to receive a credit.

Tax Increment Financing (TIF) - Facilitates the redevelopment of blighted areas by providing essential public infrastructure.

5.9.3. Workforce Incentives

It takes a quality team to get the job done. The Midwestern work ethic is one of our valued assets. Combined with several local and state training and development incentives and our business-friendly environment, the State of Missouri is an ideal place to locate your business.

Training Financial Assistance

Customized Training Program

The Customized Training Program provides training assistance for employers who are hiring and training workers for newly created jobs or retraining workers as a result of new capital investment. The Customized Training Program can assist with your specific training needs.

New Jobs Training Program

The New Jobs Training Program provides training assistance for employers with a sound credit rating who are creating a substantial number of new jobs. Local community colleges initially finance training through the sale of certificates. The certificates are repaid by using tax credits from the employer's regular withholding that is based on a percentage of the gross wages paid to employees in the new jobs.

Job Retention Training Program

Provides assistance in reducing the cost associated with retraining an existing workforce for the purpose of retaining jobs in the state of Missouri through training services.

Work Opportunity Tax Credit

PURPOSE

To provide a federal income tax credit to businesses for hiring from nine targeted groups with barriers to employment.

The Internal Revenue Service specifies that the State Workforce Agency (SWA) is responsible for administering the Work Opportunity Tax Credit Program. The Missouri Department of Economic Development, through the Division of Workforce Development, administers the program in the state of Missouri.

5.10. North Carolina

5.10.1. Business Tax Credits[96]

General Information

Franchise, Income, or Gross Premium Tax Election (G.S. 105-129.17(a)): The credits allowed under this article can be taken against franchise or income tax, but not against insurance gross premium tax unless otherwise noted. The taxpayer must elect the tax against which a credit will be claimed when filing the return on which the first installment of the credit is claimed. This election is binding. All future installments and carry-forwards of a credit must be claimed against the same tax.

Cap on Credit (G.S. 105-129.17(b)): Total credits, including carry-forwards, claimed under this article may not exceed fifty percent (50%) of the tax against which they are claimed for the taxable year, reduced by the sum of all other credits, including carry-forwards, against that tax, except tax payments made by or on behalf of the taxpayer.

Credit Carryforward (G.S. 105-129.17(b)): Unused portions of the credits may be carried forward for the succeeding five (5) years unless otherwise noted, but must be taken against the same tax as on the return on which the credit was first taken.

[96] NC Department of Revenue. (2009). Corporate, Excise, and Insurance Tax Technical Bulletins [webpage]. Raleigh, NC. Accessed at http://www.dornc.com/practitioner/corporate/bulletins/2007-2008/III-C.pdf#III.C.1.

Substantiation (G.S. 105-125.18): The burden of proving eligibility for any credit under this article rests upon the taxpayer. Every taxpayer claiming a credit under this article must maintain and make available for inspection by the Secretary of Revenue any records the Secretary considers necessary to determine and verify the amount of the credit to which the taxpayer is entitled. No credit may be allowed to any taxpayer that fails to maintain adequate records or to make them available for inspection.

Credit for Investing in Business Property (G.S. 105-129.16)

Credit: This credit was effective for taxable years beginning January 1, 1996 or later, and applicable to property placed in service on or after August 1, 1996. The credit expired effective for business property placed in service on or after January 1, 2002. However, taxpayers can continue to claim carry-forwards of unused installments of the credit.

Expiration of Credit: If business property is disposed of, taken out of service, or moved out of North Carolina prior to the end of the five-year period in which the credit is claimed, the credit expires and a taxpayer may not take any remaining installment of the credit except for the portion of an installment that accrued in a previous year and had been carried forward. (G.S. 105-129.16(b))

Quali*fied Business Tax Credit*

The Qualified Business Investment Tax Credit Program administered by the Secretary of State offers investors in certain types of businesses a credit against state tax liability which can be as much as 25% of the amount invested. In order for the investor to be eligible for the credit, the investment must be made in a business registered with the Securities Division as a Qualified Business Venture, Qualified Grantee Business or a Qualified Licensee Business.

A Qualified Business Venture (QBV) is a business organized to engage primarily in manufacturing, processing, warehousing, wholesaling, research and development, or a service-related industry.

5.10.2. Performance-based Incentive Programs[97]

North Carolina's targeted, performance-based incentive programs greatly lessen the tax burden and lower the overall costs for companies who are locating and doing business in our state.

Companies that meet certain requirements can take advantage of tax credits and other incentives including sales and use tax discounts, exemptions and refunds, discretionary programs, and other cost-saving programs. See the sections and links below for more information on these programs. You also may click here for Commerce reports on its economic development incentives.

Tax Credits

Article 3J Tax Credits – Provides tax credits to qualifying businesses for job creation, investment in business property and in some cases investment in real property.

[97] NC Department of Commerce. (2009). *Incentives* [webpage]. Raleigh, NC. Accessed at http://www.nccommerce.com/en/BusinessServices/LocateYourBusiness/WhyNC/Incentives/.

William S. Lee (Article 3A) Tax Credits – Repealed for business activities that occur on or after January 1, 2007. Article 3J Credits became effective for taxable years beginning on or after January 1, 2007.

Research and Development Tax Credits – Provides tax credits for qualified North Carolina research expenses during a taxable year.

N.C. Ports Tax Credits – Provides tax credits towards income taxes paid by businesses or individuals using ports facilities at N.C. Ports at Morehead City and Wilmington.

Renewable Energy Tax Credits – Provides a tax credit of 35% of the cost of renewable energy property.

Discretionary Programs

Job Development Investment Grant – Provides a limited number of cash grants to new and expanding businesses that will provide economic benefits to the State, and need the grant to carry out the project in North Carolina.

One North Carolina Fund – Awards grants for job creation and/or retention in conjunction with local government matches.

SBIR/STTR Small Business Technology Funding – Awards matching funds to firms who have been awarded a SBIR/STTR Phase I award from the federal government.

Site and Infrastructure Grant Fund – Provides assistance for site development and infrastructure improvements for very high-impact projects.

Job Maintenance and Capital Development Fund – Provides a limited number of grants to businesses with at least 2,000 employees, which are located in Development Tier 1 counties and which invest at least $200 million in capital improvements, providing economic benefits to the State.

Other Cost-Saving Programs

Foreign Trade Zones – Provides opportunities to defer, reduce and/or eliminate import duties.

Industrial Revenue Bonds – Provides tax-exempt financing for eligible new or expanded manufacturing facilities, certain solid waste disposal facilities and sewage disposal facilities.

Community Development Block Grants and Industrial Development Fund – Provides grants and loans for infrastructure development to eligible local governments.

Road Access and Rail Access Programs – Provides funds for the construction of roads and rail access to new or expanded industrial facilities.

Recycling Business Assistance Center – Provides grants, tax credits and loans to businesses involved with recycling in North Carolina.

North Carolina Biotechnology Center – Provides loans and matches to help leverage larger financial awards for biotechnology companies.

Film Incentives – Provides tax credits and sales and use tax discounts to encourage film and television production in North Carolina.

Sales and Use Tax Discounts, Exemptions and Refunds

North Carolina offers reduced rate allowances on certain parts, accessories and construction supplies for eligible industries and manufacturing processes.

For example: Industrial machinery and equipment is exempt from sales and use tax but is subject to an excise tax. This rate is 1 percent with a maximum of $80 per item.

Parts and accessories to manufacturing machinery, which include most supplies used in the manufacturing process but not becoming a part of the manufactured product, including pollution abatement equipment, are taxed at 1 percent.

Purchases of ingredients or component parts of manufactured products are exempt from sales or use tax.

Packaging containers and items that become part of a manufactured product and are delivered with the product to the customer are exempt from sales and use tax.

Bioprocessing, pharmaceutical and medical manufacturing and distribution, aircraft manufacturing, computer manufacturing and semiconductor manufacturing companies 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.

Sales of electricity to manufactures are taxed at a rate of 1.8%. Effective July 1, 2008, the rate will decrease to 1.4%; effective July 1, 2009 the rate will decrease to .8%; and effective July 1, 2010, sales of electricity to manufacturers for qualifying purposes will be exempt from sales and use tax.

Sales of electricity and eligible business property to an internet service provider or web search portal business that invests at least $250 million in private funds are exempt from sales and use tax.

Piped natural gas is exempt from sales and use tax but is subject to an excise tax. This tax rate is based on the number of therms of gas consumed in a month.

Coal, coke and fuel oil used in manufacturing is taxed at 1 percent.

Motor vehicles are exempt from sales and use tax but are subject to the highway use tax. Highway use tax is 3 percent of the retail value of the motor vehicle with a maximum tax of $1,500 per vehicle.

Aircraft, boats, railway cars and mobile offices are taxed at 3 percent with a maximum tax of $1,500 per item.

Custom computer software and computer software delivered electronically are exempt from sales and use tax.

All telecommunications services are taxed at a rate of 6 percent.

5.10.3. Other Assistance

Business Counseling

The SBTDC helps established firms, high-growth companies, and start-up businesses meet today's challenges, manage change, and plan for the future. Our primary focus is on management counseling, and over 70,000 North Carolina business owners have sought SBTDC management counseling services since 1984. SBTDC provides confidential management counseling and educational services to small and mid-sized businesses in all of North Carolina's 100 counties.

The services include:

Regulatory and licensing assistance

Funding and incentives

Referrals to local, state, federal agencies

Small business ombudsman

Site selection

Training and education

International trade and investment opportunities

Research and analysis.

Management Counseling:

SBTDC provides educational products to fit the increasingly complex needs of today's small to medium-sized companies. The educational programs focus on change management, strategic positioning, and leadership development.

Training and Educating Employees

North Carolina brings together a number of coordinated programs and agencies to assist businesses with recruiting, screening and training workers through programs that can be customized to meet specific needs. Comprehensive support includes established programs and customized curricula to address specific company and industry requirements. Tailored programs can range from orientation to skill-building, existing worker and on-the job training.

Workforce Development Network

The workforce development network partners supplying cost-saving recruiting, screening and training services includes the North Carolina Department of Commerce, local workforce development boards, the North Carolina Community College System, the North Carolina Employment Security Commission (ESC), and a variety of other related public and private organizations.

Recruitment and Screening: The network uses a range of value-added recruitment services including:

- Coordinated communications and outreach strategy to raise awareness about job opportunities.
- Job openings posted on N.C. Job Bank website, as well as other public Internet access points.
- A website dedicated to the company’s new and expanding recruitment efforts.
- Special events such as job fairs and on-campus recruiting.
- Development of strategic partnerships with local education, industry, and community organizations.

- Screening and assessment services use trained, professional employment consultants who provide:
- Applicant screening to ensure that businesses are referred only qualified candidates.
- Management of applicant flow onsite at JobLink Centers or through web-based screening, telephone screening, or in person by trained recruitment specialists.
- Office facilities and equipment for company representatives at JobLink Career Centers, university career placement offices or other facilities to conduct job fairs, orientation, and applicant interviews.
- Recommendations for employment testing issues including test locators, medical exams, achievement tests, aptitude tests, and personality tests.
- Ongoing assistance for individuals who do not meet requirements, to further strengthen the workforce and help to establish good individual and community relations for the company.
- Savings on hiring of Work Opportunity Tax Credit (WOTC) program participants that historically have difficulty obtaining and retaining jobs.

Tailored Training Services: Our workforce development network of agencies offers customized training options that include established programs as well as customized curricula tailored to address specific needs and help businesses and workers keep pace with rapidly changing technology.

On-the-Job Training (OJT), through the workforce development JobLink Career Centers, combines training resources with employment opportunities to enable a more highly skilled workforce, while responding to the human resources needs of new and existing companies. The company is compensated on a cost reimbursement basis for up to 50% of a new employee's wages for a period of time.

Customized Training Program

The Customized Training Program supports the economic development efforts of the State by providing education and training opportunities for eligible businesses and industries. Amended in 2008, this program integrates the New and Expanding Industry Training Program and the Customized Industry Training Program to more effectively respond to business and industry (G.S. 115D-5.1e). The Customized Training Program also includes the former Focused Industry Training Program and shall offer programs and training services to assist new and existing business and industry to remain productive, profitable, and within the State.

The program was developed in recognition of the fact that one of the most important factors for a business or industry considering locating, expanding, or remaining in North Carolina is the ability of the State to ensure the presence of a well-trained workforce. The program is designed to react quickly to the needs of businesses and to respect the confidential nature of proprietary processes and information within those businesses.

Purpose: The purpose of the Customized Training Program is to provide customized training assistance in support of full-time production and direct customer service positions created in the State of North Carolina, thereby enhancing the growth potential of companies located in the state while simultaneously preparing North Carolina's workforce with the skills essential to successful employment in emerging industries.

Eligibility: Those businesses and industries eligible for support through the Customized Training Program include Manufacturing, Technology Intensive (i.e., Information Technology, Life Sciences), Regional or National Warehousing and Distribution Centers, Customer Support Centers, Air Courier Services, National

Headquarters with operations outside North Carolina, and Civil Service employees providing technical support to US military installations located in North Carolina.

In order to receive assistance, eligible businesses and industries must demonstrate two or more of the following criteria:

- The business is making an appreciable capital investment;
- The business is deploying new technology;
- The business is creating jobs, expanding an existing workforce, or enhancing the productivity and profitability of the operations within the State; and,
- The skills of the workers will be enhanced by the assistance.

Resources may support training assessment, instructional design, instructional costs, and training delivery for personnel involved in the direct production of goods and services. Production and technology support positions are also eligible for training support.

Full-time probationary employees of qualified Customized Training companies are eligible for training delivered by the community college.

The use of Customized Training funds requires that trainees are paid by the company for all time during training hours.

N.C. State Industrial Extension Service

North Carolina State University's Industrial Extension Service (IES) helps businesses stay on the forefront of technology with training that supports North Carolina businesses. Services include help on issues including; lean enterprise and quality initiatives, such as ISO management systems and Six Sigma, energy audits, environmental, safety and health management.

The Polymers Center of Excellence

The Polymers Center of Excellence (PCE) provides state-of-the-art plastics product design, engineering, and analysis services to the medical, transportation, materials handling, packaging, and consumer products industries.

Partnered with UNC-Charlotte, N.C. State University and the North Carolina Industrial Extension Service, PCE provides molding, extrusion and test laboratories to service companies that purchase, process, design, develop or manufacture products using plastics or rubber.

They also offer workforce training, product development, pilot-volume compounding injection molding and materials testing to help companies.

5.11. Ohio

Assistance with Locating, Hiring and Training Employees[98]

[98] State of Ohio. (2009). *Growing in Ohio* [webpage]. Columbus, OH. Accessed at http://business.ohio.gov/growing/#lht

The Office of Workforce Development provides job banks as well as labor market information including demographic and average hourly earnings.

OhioWorkforce411 provides multiple services to assist businesses with finding employees.

The Ohio Bureau of Workers' Compensation provides safety training for employees.

5.11.1. **Assistance**

The Ohio Bureau of Workers' Compensation provides multiple financial assistance programs for Ohio employers. The Ohio Department of Development's Division of Minority Business Affairs provides assistance to minority-owned, small, and disadvantaged businesses.

The Third Frontier Project contains programs for funding technology research and development.

The programs are:

Engineering and Physical Science Research and Commercialization Program (EPSRCP) provides grants to support technology-based economic development through research, development, and commercialization activities in Ohio. Projects are to be collaborations among Ohio for-profit firms, Ohio higher education institutions, and Ohio non-profit research organizations. Proposals must focus on technologies in the fields of advanced materials, power and propulsion, information technology, and instruments-controls-electronics.

Entrepreneurial Signature Program (ESP)

Provides grants which significantly increase technology-based entrepreneurial commercialization outcomes in six defined geographic regions and to focus on technology-based sectors offering important economic development prospects for that region.

Innovation Ohio Loan Fund (IOF)

Created to assist existing Ohio companies develop next generation products and services within certain Targeted Industry Sectors by financing the acquisition, construction, and related costs of technology, facilities, and equipment. The Innovation Ohio Loan Fund (IOF) provides competitive financing terms on loans to finance projects that will positively impact Ohio by creating high-value jobs, increased tax revenues, and improve the economic welfare of the State while addressing an identified need in the capital-funding continuum. The IOF is intended to supply capital to Ohio enterprises having difficulty securing funds from conventional sources due to technical and commercial risk factors associated with the development of the new product or service. The IOF can finance up to 75 percent of a project's allowable costs to a maximum of $2 million and a minimum of $500,000.

Ohio Research Commercialization Grant Program (ORCGP)

Provides grants to improve the commercial viability of technologies developed through federal Small Business Innovation Research (SBIR), Small Business Technology Transfer (STTR) and Advanced Technology Program (ATP) research and development projects. The intent is to improve the ability of small technology companies to assess and realize the commercial potential of research projects and to promote the competitiveness of these companies through the augmentation of federal research and development funding.

Pre-Seed Fund Initiative (PSFI)

Formerly; Validation Fund & Seed Fund Initiative, provides grants to pre-seed funds to increase the availability of professionally managed capital and associated services to accelerate the growth of early stage Ohio technology companies.

Product Development Pilot Program (PDPP)

PDPP provides grants to support delivery of product development assistance, including design, engineering, financing, marketing and management, to small and medium-sized Ohio manufactures. Projects must be led by Ohio higher education institutions or non-profits but may involve for-profit collaborators, and are to focus on product development in the areas of advanced materials and instruments, controls, and electronics. This is a pilot program to support a limited number of projects that can demonstrate the feasibility of providing the services described above in an effective and cost-efficient manner.

Research Commercialization Program (RCP)

The RCP provides grants to advance major research initiatives that will positively impact Ohio's economic development and provide long-term improvements in the State's technology base. Projects are to be collaborations among Ohio higher education institutions, non-profit research organizations, and Ohio companies in the areas of 1) Advanced Materials, 2) Instruments-Controls-Electronics, 3) Information Technology, 4) Power and Propulsion (includes Advance Energy), and 5) the Biosciences. The RCP will accomplish this through 1) advancing scientifically unique applied research projects along the technology commercialization framework, and 2) forming a solid collaborative program that can sustain the development of new innovative products. The emphasis of this program is on the advancement of technologies that will be ready for commercialization within the 3-year time frame of the RCP grant. Awards will be made in the range from $2 million to $5 million. For Fiscal Year 2008, $26 million is available for grant awards in the Engineering/Physical Sciences and $26 million is available for grant awards in the Biosciences.

Success and Pre-Seed Fund Initiative (SPSFI)

Provides continuing support to those Pre-Seed Fund and related entrepreneurial support programs that have demonstrated success in using previously awarded Grant Funds to create measurable economic benefits for the State. Also provided is the opportunity to receive grants to support the creation of New Pre-Seed Funds to meet a demonstrated need for investment capital to support a unique or underserved opportunity. In addition, this RFP offers support to Existing Pre-Seed Funds and Entrepreneurial Assistance Organizations who can establish that they will be able to apply additional grant funding to extend and build on proven success.

The Ohio Research Scholars Program (ORSP)

Jointly funded and administered by the Ohio Department of Development and the Chancellor of the Ohio Board of Regents, the ORSP provides grants to strengthen and increase the number of clusters of research excellence, led by Ohio's academic institutions that support regional economic priorities. The ORSP will achieve this through 1) aggressive investment in the attraction of senior research talent and related facilities and equipment, and 2) promotion of unique collaborations needed to build and sustain scientifically and commercially promising lines of research. The ORSP is placing high priority on building a critical mass of research scientists and engineers in the five targeted technology/research focus areas identified below. The emphasis of this program is on the recruitment of research talent from outside Ohio. However, some funding will be available to support the retention or hiring from within Ohio of personnel that are important to the growth of a research cluster. The ORSP will be accepting proposals from Ohio's universities and colleges. Each proposal must define the technology/research focus area of the research cluster and the areas of investigation to be pursued by the newly hired scholars in one or more of the state's targeted technology/research focus areas: 1) Advanced materials; 2) Biosciences; 3) Instruments-controls-electronics; 4) Information technology; and 5) Power and propulsion (includes Advanced energy). Awards will be made in the range from $2.5 million to $50 million.

Third Frontier Advanced Energy Program (TFAEP)

Grants to accelerate the development and growth of the advanced energy industry in Ohio by direct financial support to organizations seeking to commercialize new products, manufacturing processes or technologies, or to adapt or modify existing components or systems that can reduce the cost of advanced energy systems or address technical and commercialization barriers.

Third Frontier Fuel Cell Program (TFFCP)

The Third Frontier Fuel Cell Program provides grants that support the growth of Ohio's fuel cell industry through collaborations that involve Ohio higher education institutions, non-profit research organizations, and Ohio companies. Projects must focus on research and development that addresses technical and cost barriers to commercialization and adapting fuel cell components produced in Ohio for use in fuel cell systems.

Third Frontier Internship Program (TFIP)

Businesses which provide internships in the areas of advanced manufacturing, advanced materials, power and propulsion, instruments controls and electronics, bioscience and information technology may benefit from this program. The state will reimburse up to 50% or no more than $3,000 per year for wages paid to eligible and enrolled students. Students enrolled at least as a college sophomore level or beyond and who are attending a two- or four-year college or university majoring in math, science or engineering may be eligible for program participation. For your convenience, a Web site has been designed to allow businesses and students to enroll on line. Registrants should enroll at The Third Frontier Internship Program.

Wright Centers of Innovation in Biosciences (WCIB)

Grants to support large-scale world-class research and technology development platforms designed to accelerate the pace of Ohio commercialization. Wright Centers are to be collaborations among Ohio higher education institutions, non-profit research organizations, and Ohio companies in the Biosciences.

Wright Centers of Innovation in Engineering and Physical Sciences (WCIEPS)

Grants to support large-scale world-class research and technology development platforms designed to accelerate the pace of Ohio commercialization. Wright Centers are to be collaborations among Ohio higher education institutions, non-profit research organizations, and Ohio companies in the areas of advanced materials, power and propulsion, information technology and instruments, controls and electronics.

Wright Mega-centers of Innovation (WMCI)

WMCI provides grants which establish centers of excellence that will clearly define Ohio as an international leader in research and commercialization for one or more technology platforms that will have a substantial, measurable, and sustainable impact on the State's economy. The Center must be a multi-organizational collaboration that could involve the state's universities, medical centers and other non-profit research organizations, and private sector businesses large and small in the areas of advanced materials, bioscience, power and propulsion, information technology and instruments, controls and electronics. Awards will be made in the range of $50- 60 million per center.

Wright Projects (WP)

Provides grants to support specifically defined near term commercialization projects requiring major capital acquisitions and improvements at Ohio higher education institutions and non-profit research organizations. Projects must involve one or more Ohio companies and be in the areas of advanced materials, power and propulsion, information technology and instruments, controls and electronics.

Additional Offices

The Ohio Environmental Protection Agency Office of Compliance Assistance and Pollution Protection provides financing for environmental projects in Ohio.

The Ohio Department of Job & Family Services provides the Work Opportunity Tax Credit to encourage hiring of job seekers from disadvantaged groups.

The Ohio Department of Development's Strategic Business Investment Division works to create, retain and expand job opportunities for all Ohioans. The Division offers companies direct financial assistance in the form of low-interest loans, grants, bonds, and state and local tax incentives. The Division also offers assistance with employee training and infrastructure development.

The Ohio Department of Development's Office of Investment in Training provides financial assistance for training programs.

5.11.2. **Tax Incentive Programs**[99]

Ohio Job Creation Tax Credit

Provides corporate franchise or state income tax credit for businesses that expand or locate in Ohio for companies that incur tax liability under ORC Sections 5733.06 or 5747.02. Program will provide a tax credit against the Commercial Activity Tax (CAT).

Ohio Job Retention Tax Credit

Provides corporate franchise or state income tax credit for businesses that commit to retain a significant number of full-time jobs. Program will provide a tax credit against the Commercial Activity Tax (CAT) beginning on July 1, 2008.

Ohio Research and Development Investment Tax Credit

Provides a nonrefundable tax credit against the corporate franchise tax and is designed to encourage Ohio's corporations to invest in increased research and development activities.

Training Tax Credit

Provides tax credits for employers that train existing employees who are at risk of losing their jobs primarily due to skill deficiencies.

Ohio Manufacturing Machinery & Equipment Grant/Ohio Manufacturing Machinery & Equipment Investment Tax Credit

Provides a nonrefundable corporate franchise or state income tax credit for manufacturer located in Ohio that purchases qualified new or retooled machinery and equipment that is used in manufacturing.

Technology Investme*nt Tax Credit*

Offers a variety of benefits to Ohio taxpayers who invest in small research and development and technology-oriented forms.

Research and Development Sales Tax Exemption

Provides an exemption from the usual state and county sales tax for companies that purchase equipment for research and development activities. Vendor needs a blanket exemption certificate.

Manufacturing Machinery & Equipment Sales Tax Exemption

Provides an exemption from state and county sales tax for companies that purchase machinery and equipment for manufacturing activities. Vendor needs a blanket exemption certificate.

Warehouse Machinery & Equipment Sales Tax Exemption

[99] Department of Development (2009). *Welcome to Strategic Business Investment* [webpage]. Columbus, OH. http://www.development.ohio.gov/EconomicDevelopment.htm.

Provides an exemption from state and county sales tax for companies that purchase eligible warehousing equipment. Vendor needs a blanket exemption certificate, available on-line at the Department of Taxation's website (http://tax.ohio.gov/) under Business, Tax Forms.

Warehouse Inventory Tax Exemption

Provides an exemption from the personal property tax on qualifying inventory. Claimed as part of the Personal Property Tax return.

Enterprise Zones

Provides real and personal property tax incentives for businesses that expand or locate in Ohio. In order to apply, the municipality or county must apply to the State Development Director for certification. To secure benefits, non-retail businesses must apply to the local community for local property tax exemptions and to the State Development Director for state franchise or state income tax incentives.

Community Reinvestment Areas

Provides local real-property tax incentives for residents and businesses that invest in designated areas of Ohio. In order to apply, the municipality or county must apply to the State Development Director for confirmation. Investors meeting the local criteria must apply to the municipality or county for the real property tax exemption.

In addition to providing funds to businesses, the Ohio Department of Development also provides funds to local governments to make available to businesses through its economic development programs.

5.12. South Carolina

5.12.1. Grants & Incentives[100]

Job Tax Credit

The Job Tax Credit (JTC) is a statutory incentive offered to companies, both existing and new, that create new jobs in the state. The credit is available to companies that establish or expand corporate headquarters, manufacturing, distribution, processing, qualified service-related, research and development facilities. This credit is extremely beneficial for companies, because it is a credit against corporate income taxes, which can eliminate 50 percent of a company's liability.

Economic Impact Zone Investment Credit

South Carolina allows manufacturers locating in Economic Impact Zone (EIZ) counties a one-time credit against a company's corporate income tax of up to 5 percent of a company's investment in new production equipment. The actual value of the credit depends on the applicable recovery period for property under the Internal Revenue Code.

[100] SC Department of Commerce. (2009). *Grants & Incentives* [webpage]. Accessed at http://www.sccommerce.com/locateinsc/grantsincentives/statutoryincentives.aspx.

Corporate Headquarters Credit

In an effort to offset the cost associated with relocating or expanding a corporate headquarters facility, South Carolina provides a generous 20 percent credit based on the cost of the actual portion of the facility dedicated to the headquarters operation or direct lease costs for the first five years of operation. The credit can be applied against either corporate income tax or the license fee. These credits are not limited in their ability to eliminate corporate income taxes and can potentially eliminate corporate income taxes for as long as 10 years from the year earned. Eligibility for this credit is determined by meeting a number of specific criteria.

Research And Development Tax Credit

In order to reward companies for increasing research and development activities in a taxable year, South Carolina offers a credit equal to 5 percent of the taxpayer's qualified research expenses in the state. The term "qualified research expenses" is defined in Section 41 of the Internal Revenue Code. The credit taken in any one taxable year may not exceed 50 percent of the company's remaining tax liability after all other credits have been applied. Any unused portion of the credit can be carried forward for 10 years from the date of the qualified expenditure.

5.12.2. SCJEDA[101]

Since 1983, the South Carolina Jobs-Economic Development Authority (JEDA) has been a significant contributor to the economic development of South Carolina. Over the past 24 years, JEDA has created and retained nearly 107,000 jobs in South Carolina and has closed nearly 700 loans, which represents over $4 billion in total loans.

JEDA Tax-Exempt Bond Program

JEDA's Tax-Exempt Bond Program is a conduit that allows manufacturing facilities, 501(c)(3) organizations and solid waste disposal facilities access to capital markets to finance (at sub-Prime interest rates) their economic development related projects.

JEDA Taxable Variable Rate Bond Program

JEDA's Taxable Variable Rate Bond Program offers numerous benefits to the borrower and allows JEDA the opportunity to finance new types of enterprises in South Carolina at below prime rate.

Rural Business and Cooperative Programs

Rural Development administers the following programs including direct and guaranteed loans for rural business and industry projects, grants to facilitate development of small and emerging private business enterprises in rural areas, and loan and grant funds for the establishment of revolving loan programs that finance rural business and community development projects in South Carolina.

[101] SC Jobs-Economic Development Authority. (2009). JEDA Tax-Exempt Bond Program [webpage]. Columbia, SC. Accessed at http://www.scjeda.net/

Business and Industry (B&I) Guaranteed Loans: The purpose of this program is to improve, develop, or finance business, industry and employment opportunities in rural communities with a population less than 50,000. Up to an 80% guarantee may be provided on quality loans to lenders with terms ranging from 7 to 30 years. Applicant must also provide adequate collateral and meet U.S. citizenship and equity requirements. Some eligible purposes are: (1) purchase of real estate, construction, machinery, equipment, inventory; (2) working capital; (3) financing housing development sites (land and infrastructure only); and (4) hotels, motels, recreational facilities (golf courses are not eligible).

Small and Minority Business Assistance

The Governor's Office of Small and Minority Business Assistance (OSMBA) was created by Executive Order in October 1979. Enabling legislation was passed and the program was placed into law as outlined in Article 21 of the Code of Laws of South Carolina, 1981. The goals of OSMBA are to promote the growth and development of small and minority owned businesses in South Carolina and to advocate that an equitable portion of State procurement contracts be awarded to small and minority owned businesses.[102]

5.13. Tennessee

5.13.1. Grants, Loans and Tax Incentives[103]

Competitive Tax Incentives make Tennessee a smart decision for doing business. We have made more changes to our incentive package in the last five years, in fact, than in the previous 20 combined.

Incentivized Corporate Excise, Franchise, Personal Income, Property, Sales and Use and Other Taxes

Tennessee has long been considered a state with one of the most business-friendly economic climates in the nation. With one of the nation's lowest per capita tax burdens, no tax on personal income and no state property tax, Tennessee has attracted more than 163,000 new jobs and $26 billion in new capital investment in the last five years alone.

Tennessee does not take a "one-size-fits-all" approach and evaluates and changes its incentive offerings annually to meet the needs of business in the current economic environment. That's why the respected publication Site Selection magazine ranked Tennessee #1 among the 50 states for economic development competitiveness, giving the state the magazine's prized Competitiveness Award in 2008.

ECD's FastTrack Program helps companies locating in the area cut through red tape that often hinders development to get the resources and the answers they need – fast.

[102] Office of Small and Minority Business Assistance. (2009). *Office of Small and Minority Business Assistance* [webpage]. Columbia, SC: Office of the Governor. Accessed at http://www.govoepp.state.sc.us/osmba/.
[103] Department of Economic & Community Development. (2009). *Grants, Loans and Tax Incentives* [webpage]. Nashville, TN. Accessed at http://www.tnecd.gov/BD_grants_loans.html.

Community Development Block Grants help communities pay for infrastructure improvements necessary to economic development projects. For example, if a business is considering locating in a county but needs a water line extended to their potential site, a CDBG grant could be used to pay for that extension.

Energy Grant and Loan Programs encourage businesses of all sizes to pursue energy-saving projects that will be both environmentally responsible and cost-effective in the long term.

Loans for Small Businesses allow one of Tennessee's most vibrant economic sectors to grow. Dollars are available for small businesses in rural areas and small businesses that are looking to make energy efficiency improvements.

Tennessee Job Skills is a discretionary fund available to new and existing businesses to train their workforce. The focus is on employers and industries that promote high-skill, high-wage jobs for emerging and high-technology manufacturing operations.

Industrial Development Board Bonds are available to companies for infrastructure improvements. Funds must be applied for from the state by local industrial development boards, and are distributed locally by those boards at their discretion.

Applicant Recruitment and Screening is a service by the Tennessee Department of Labor and Workforce Development's Jobs Service Division to identify and forward applicants who meet a company's hiring criteria.

5.13.2. Business Tax Credits[104]

Jobs Tax Credit

Tennessee allows "qualified business enterprises" a credit against their franchise and excise taxes based on their capital investment and the number of jobs created. The amount of the credit and the period of time during which it can be used vary according to the size of the investment.

Qualified business enterprises can include:

Manufacturing

Warehousing and distribution

Processing tangible personal property

Research and development

Computer services

Call centers

Qualified data centers

Headquarters facilities

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[104] Department of Economic & Community Development. (2009). *Business Tax Credits* [webpage]. Nashville, TN. Accessed at http://www.tnecd.gov/BD_business_tax_credit.html.

Convention or trade show facilities

Repair service facilities for aircraft owned by unrelated commercial, foreign or government persons

A company investing $500,000 and creating 25 new jobs can claim a $2,000 credit (or $4,500 if locating in an economically distressed county (see map) against their F&E taxes over a period of 15 years.

Qualified business enterprises must meet the $500,000 investment and 25 job threshold in a fiscal year if locating in a non-distressed or Tier 1 county (see map). Businesses locating in a Tier 2 county may take three years to create 25 jobs, and businesses locating in a Tier 3 county may take five years to create 25 jobs.

The company can qualify for a $4,500 Jobs Tax Credit if it invests $20 million in capital and creates a minimum of 1,000 jobs in a federally designated empowerment zone. Currently, Tennessee's only federally designated empowerment zone is in Knoxville.

The percentage of tax liability companies are able to offset ranges from 33.33% to 100% based on the total number of full-time jobs in Tennessee at the end of the fiscal year, ranging from less than 1,000 to 5,000 or more.

For example, in Shelby, Davidson, Montgomery, Wilson, Williamson, Knox, Hamilton Counties @ $2,000 per job:

Jobs Created	Amount of Credit	Full Time TN Jobs	Percentage Offset
25	$50,000	75	33.33%
100	$200,000	999	33.33%
500	$1,000,000	1100	50%
999	$1,998,000	3000	75%
1000	$2,000,000	5100	100%

For example, in all other TN counties @ $4500 per job:

Jobs Created	Amount of Credit	Full Time TN Jobs	Percentage Offset
25	$50,000	75	33.33%
100	$200,000	999	33.33%
500	$1,000,000	1100	50%
999	$1,998,000	3000	75%
1000	$2,000,000	5100	100%

State law gives the commissioner of Revenue and the commissioner of Economic and Community Development broad latitude to extend the offset percentage to 100% for qualified headquarters and/or qualified warehouse and distribution facilities.

Tiered Rural Opportunity Initiative Jobs Tax Credit

Tennessee's focus on creating job opportunities in rural areas of Tennessee presents unique hurdles and yet tremendous opportunity. Governor Bredesen has called providing broad access to higher skilled, better paying jobs in Tennessee one of the most persistent challenges he's faced during his time in office. Whether because of limited road access, lack of public infrastructure or difficulty in matching labor skills to job requirements, a different approach is needed. That's why the state of Tennessee offers a program aimed at addressing this challenge called the Rural Opportunity Initiative, or ROI.

For some Tennessee counties in the economically distressed category, Tennessee law gives the commissioners of Revenue and Economic and Community Development the option to utilize the Jobs Tax Credit with enhanced tax credits. This credit can offset up to 100 % of the company's total franchise and excise tax liability. The Tiered ROI Jobs Tax Credit can be taken in addition to the Jobs Tax Credit. Based on analysis by the University of Tennessee, these economically distressed counties have been organized into three tiers taking into account per capita income, levels of poverty and historical unemployment.

Tier 1 Distressed Counties: each new job created will receive $4,500 in tax credits with a 15-year carry forward when 25 or more new jobs are created.

Tier 2 Distressed Counties: each new job created will receive $4,500 in tax credits with a 15-year carry forward, plus an additional 3 years at $4,500 in tax credits per job with no carry-forward when 25 or more new jobs are created.

Tier 3 Distressed Counties: each new job created will receive $4,500 in tax credits with a 15-year carry forward, plus an additional 5 years at $4,500 in tax credits per job with no carry-forward when 25 or more new jobs are created.

Non-economically distressed: $2,000 jobs tax credit with 15-year carry forward.

Jobs Tax Super Credit

For larger, more capital-intensive investments, Tennessee has created a Super Credit that applies to those companies investing capital of $100 million or more and creating a minimum of 100 jobs paying at least 100 % of Tennessee's average occupational wage. These credits can be used to offset up to 100 % of the company's F&E tax liability, but must be taken in the first tax year after the job creation and capital investment thresholds have been met and can be taken annually. The Super Credit does not include carry-forward provisions and is available in addition to Jobs Tax Credits.

The Super Credit allows companies to exempt two-thirds of the required capital investment on Schedule G of the company's franchise and excise tax return. Investments must be made during a three-year period, but can be extended to five years (or, in the case of a $1 billion investment, seven years) at the discretion of the commissioner of Economic and Community Development.

Super Credits are available at the following levels:

Capital Investment	Jobs Created	Size of Credit**	Years Available
$100 million	100	$5000	3
$250 million	250	$5000	6
$500 million	500	$5000	12
$1 billion*	1,000	$5000	20

*Projects qualify in this category must create jobs paying 150% of the state's average occupational wage.

**Per job per year.

Integrated Supplier Tax Credit

Tennessee extends certain tax credits to suppliers locating within the footprint of a project meeting the $1 billion investment threshold and creating 1,000 or more jobs. The purpose of the Integrated Supplier Tax Credit is to expand the impact of large "anchor" projects by encouraging co-location of suppliers. A qualified supplier locating within the footprint of such a project will qualify for a Jobs Tax Super Credit equal to $5,000 per qualified job with a 15 year carry-forward, plus an additional $5,000 per job each year for six years. The Integrated Supplier Tax Credit applies regardless of capital investment or number of jobs created.

Industrial Machinery Tax Credit

For capital investments in industrial machinery, Tennessee offers qualified businesses a tax credit offsetting up to 50 % of their F&E tax liability. To qualify for this credit, companies are not required to create new jobs. The credit applies to the purchase, installation and repair of industrial machinery as defined in T.C.A. 67-6-102. The credit also applies to the purchase and installation of computers, computer software and certain peripheral devices purchased in order to meet the capital investment thresholds of the Jobs Tax Credit. The Industrial Machinery Tax Credit has a 15-year carry-forward.

Capital Investment	Percentage of Credit
Less than $100,000,000	1%
$100,000,000	3%
$250,000,000	5%
$500,000,000	7%
$1,000,000,000	10%

Headquarters Tax Credit

In order to encourage companies to locate their corporate headquarters in Tennessee, the state offers tax credits based on the cost of relocating the company and building a new headquarters facility in Tennessee.

With a capital investment of $50 million or more, the company may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.

A project involving a capital investment of $10 million or more and creating 100 jobs paying 150% of the state's average occupational wage may qualify for a credit of 6.5% against sales and use taxes incurred on the purchase of building materials, machinery or equipment used in a new regional, national or international headquarters.

Investments must be made during a three-year period, but can be extended to five years (or, in the case of a $1 billion investment, seven years) at the discretion of the commissioner of Economic and Community Development.

Companies qualifying for the sales and use tax credit may also qualify for credits against their F&E tax liability based on the amount of qualified relocation expenses incurred in the establishment of a headquarters facility. This is a fully refundable tax credit.

Companies with a regional, national or international headquarters facility in Tennessee may (with approval from the commissioner of Economic and Community Development) convert unused net operating losses (NOL) to a credit against F&E tax liability.

The NOL credit is available only if the company is unable to use the NOL to offset net income during the current tax year.

Credits for the cost of relocating jobs paying at least 150% of Tennessee's average occupational wage are available on a tiered schedule as follows:

Jobs Created	Tax Credit per Job
100-250 jobs	$10,000 per job
250-500 jobs	$20,000 per job
500-750 jobs	$30,000 per job
1,000+ jobs*	$50,000 per job

*Requires capital investment of at least $1 billion.

5.14. Texas

5.14.1. Financial Resources[105]

Emerging Technology Fund

[105] Economic Development and Tourism Division. (2009). *Financial Resources* [webpage]. Austin: TX: Governor's Office. Accessed at http://www.texaswideopenforbusiness.com/financial-resources/.

The Emerging Technology Fund (ETF) was created by the Texas Legislature in 2005 at the urging of Gov. Perry to provide Texas with an unparalleled advantage in the research, development, and commercialization of emerging technologies.

Texas Enterprise Fund

The Texas Enterprise Fund, the largest "deal-closing" fund of its kind in the nation, continues to attract businesses and jobs to Texas. The TEF can be used for a variety of economic development projects, including infrastructure development, community development, job training programs and business incentives.

Loan Assistance

The Texas Economic Development Bank provides flexible funding and oversight of finance and tax incentive programs targeting three key audiences: Texas businesses, Texas communities and Texas lending institutions. The Bank's task is to provide globally competitive, cost effective state incentives to expand businesses operating in the state and to businesses relocating to Texas.

Training Assistance

The states training programs assists businesses and trade unions by financing the design and implementation of customized job training projects. They successfully merges business needs and local customized training opportunities into a winning formula to increase the skills level and wages of the Texas workforce.

Tax Incentives

The State and Texas local communities offer a variety of tax incentives and innovative solutions for business expanding or relocating in Texas. Some programs include the Enterprise Zone, the Defense Economic Readjustment Zone Program and the Federal Enterprise Zone / Renewal Community Program.

The Texas Enterprise Zone Program is an economic development tool for local communities to partner with the State of Texas to promote job creation and capital investment in economically distressed areas of the state.

Local communities must nominate a company as an Enterprise Project to be eligible to participate in the Enterprise Zone Program. Legislation limits allocations to the state and local communities per biennium. The state accepts applications quarterly with deadlines on the first working day of March, June, September and December.

Designated projects are eligible to apply for state sales and use tax refunds on qualified expenditures. The level and amount of refund is related to the capital investment and jobs created at the qualified business site.

Level of Capital Investment	**Maximum number of jobs allocated**	**Maximum potential refund**	**Maximum refund per job allocation**
$40,000 to $399,999	10	$25,000	$2,500

Level of Capital Investment	Maximum number of jobs allocated	Maximum potential refund	Maximum refund per job allocation
$400,000 to $999,999	25	$62,000	$2,500
$1,000,000 to $4,999,999	125	$312,500	$2,500
$5,000,000 to $149,999,999	500	$1,250,000	$2,500
$150,000,000 to $249,999,999	500	$2,500,000	$5,000
$250,000,000 or more	500	$3,750,000	$7,500

In addition, local communities must offer incentives to participants under the Enterprise Zone Program, such as tax abatement, tax increment financing and one-stop permitting.

Communities may nominate projects, for a designation period up to five years, non-inclusive of a 90-day window prior to the application deadline. Employment and capital investment commitments must be incurred and met within this timeframe.

Projects may be physically located in or outside of an Enterprise Zone.

If located within a zone, the company commits that at least 25% of their new employees will meet economically disadvantaged or enterprise zone residence requirements.

If located outside of a zone, the company commits that at least 35% of their new employees will meet economically disadvantaged or enterprise zone residency requirements.

Under limited statutory provisions, an enterprise project designation may be granted for job retention.

5.14.2. Other Assistance[106]

Electronic Grant Search

As of April 1, 2007, using the eGrants website, one can search for and view the details of competitive funding announcements available through dozens of Texas state agencies.

Texas Economic Development Bank

The Bank provides incentives to businesses wishing to relocate or expand in Texas, as well as assist local communities in accessing capital for economic development.

Industrial Technologies Program (ITP)

Review information on ITP, whose mission is to reduce the energy requirements of manufacturing while stimulating economic productivity and growth.

Small Business Administration Loan Programs

Access numerous loan programs offered by SBA to assist small businesses.

Small Business Innovation Research Program /Small Business Technology Transfer Program

[106] Economic Development and Tourism Division. (2009). *Business Resources* [webpage]. Austin: TX: Governor's Office. Accessed at http://governor.state.tx.us/ecodev/business_resources/.

Access information on SBIR program, which encourages private and public resource support for the commercialization of federal research and development efforts.

Small Business Development Centers (SBDCs)

The Small Business Development Center program is the largest management and technical assistance network serving the U.S. small business community.

Small Business Assistance

The Small Business section serves as a focal point in assisting small and historically underutilized businesses. It provides sources of contacts and research information that will assist with federal, state and local business issues for small businesses.

Historically Underutilized Business (HUB) Program

Program's purpose is to encourage and effectively promote the utilization of Historically Underutilized Businesses (HUBs) by all state agencies, including institutions of higher education

Small Employer Insurance

Information to assist businesses with two to 50 eligible employees find health insurance for their employees

5.15. Virginia

5.15.1. Key Automotive Advantages[107]

- Strategic Mid-Atlantic location and an excellent transportation infrastructure
- One of the nation's leaders in labor and manufacturing productivity
- Stable, competitive corporate tax rate of 6%—not increased in 30 years
- "At will" and "Right-to-work" employment practices
- Streamlined environmental permitting process using federal minimum standards
- Nationally recognized state-funded customized technical training and recruitment programs to meet labor needs and timelines of the automotive parts manufacturers
- Reliable energy sources at competitive rates—average industrial electric rate less than 4 cents per kilowatt hour
- Average workers' compensation insurance premium—fifth lowest in the nation
- Average unemployment insurance cost—second lowest in the nation
- Six general-purpose foreign trade zones designated by the U.S. Department of Commerce
- Home to the Virginia International Raceway, the Langley Full Scale Wind Tunnel and the Smart Road project at Virginia Tech

5.15.2. **Incentives**[108]

Cost Advantages

[107] Virginia Economic Development Partnership. (2009). *Virginia's Automotive Industry* [webpage]. Richmond, VA. Accessed at http://www.yesvirginia.org/Virginia_Advantage/Industry_Clusters/Automotive.aspx

[108] Virginia Economic Development Partnership. (2009*). Business Incentives* [webpage]. Richmond, VA. Accessed at http://www.yesvirginia.org/whyvirginia/financial_advantages/business_incentives.aspx

Virginia manufacturers have one of the lowest average workers' compensation costs in the country. At $2.47 per $100 of payroll in January 2007, it ranks 6th lowest nationally and is 40 percent lower than the U.S. average.

Unemployment tax burden that is 40 percent lower than the national average.

Average hourly manufacturing wages that are lower than the national average

Building costs in Virginia range from 6-20 percent below the national average, depending on the region of the Commonwealth.

Tax Advantages

Corporate Income Tax rate of 6%, not raised in over thirty years

Has a three-factor apportionment formula of payroll, property and sales (with sales double-weighted)

A double-weighted sales factor, which has the effect of reducing tax liability for firms with significant sales to customers outside Virginia

Tax credits for job creation and investment in economically stressed areas

No franchise or net worth tax

Business Incentives

Governor's Opportunity Fund: Discretionary funds available to the Governor to secure a business location or expansion project for Virginia. Grants are awarded to localities on a local matching basis with the expectation that the grant will result in a favorable location decision for the Commonwealth.

Virginia Jobs Investment Program (VJIP)

This is a program that offers customized recruiting and training assistance to companies that are creating new jobs or experiencing technological change. The program is designed to reduce the human resource development cost of new and expanding companies.

Virginia Investment Partnership Grant Fund

A discretionary investment performance grant program for existing Virginia manufacturers, research and development services supporting manufacturing, and large basic employers. The program is targeted to companies that have operated in Virginia for at least five years, which are proposing expansion projects meeting certain criteria.

Sales and Use Tax Exemptions

Virginia offers some of the broadest sales and use tax exemptions in the U.S. including Property Tax Exemptions: Virginia does not tax intangible property, manufacturers' inventory, and manufacturers' furniture, fixtures and corporate aircraft.

Virginia Small Business Financin*g Authority (VSBFA)*

VSBFA offers programs to provide businesses with access to capital needed for growth and expansion.

Enterprise Zones

Virginia's Enterprise Zone program provides state and local incentives to businesses that invest and create jobs within Virginia's enterprise zones, which are located throughout the state.

Technology Zones

Virginia authorizes its communities to establish technology zones to encourage growth in targeted industries. Presently, 21 localities have created zones throughout the state.