Salina Commercial Center

Business Location & Expansion Incentives

Below is a summary of business location/expansion incentives available through Utah State and Sevier County.

State Incentives

Any incentives offered by the state will be available to any client/project, which meets the qualification for the state incentive programs. The Sevier County Economic Development Office will help facilitate state incentives. These incentives will be considered on a base-by-case basis and will be in addition to any incentives offered by the City. The City will provide assistance as needed or requested by the Company.

Industrial Assistance Fund

The State of Utah has an Industrial Assistance Fund (IAF) that a company can use for relocation/expansion costs. This incentive loan can be repaid through credits earned from money spent on Utah purchases, on its Utah payroll and from Utah jobs the company creates that meet IAF requirements for higher-quality jobs. This program is designed to convert the loan to a grant. Three basic programs exist:

1) Corporate Funding, which is dependent on the amount of Utah purchases and wages;
2) Targeted Industries, which is primarily aimed at information technology, biomedical and aerospace, and;
3) The Rural Utah Program, which has a focus on job creation in rural areas.

Contact: Mark Renda, (801) 538-8698; mrenda@utah.gov; http://dced.utah.gov/iaf/

Industrial Development Bonds

- Industrial Development Bonds (IDB's) are a financing tool used by private sector developers for manufacturing facilities. These bonds are offered as exempt from federal income tax, making them attractive to the market.

- The applicant must meet federal guidelines; however, the State of Utah has no additional requirements.

- The federal tax code places a limit of $10 million per project on IDB financing. The Internal Revenue Code also specifies that the sum of all other IDBs used by the developer cannot exceed $40 million nationwide.

- Ninety-five percent of bond proceeds must be used for manufacturing facilities. They cannot be used to refinance debt, inventory or operating capital.

- Local communities or counties must initiate the process by passing an inducement resolution.

Bond council must be retained by the company and terms on the bonds are negotiated between the company and the private market. The end purchaser of an Industrial Development Bond does not pay Federal Income Tax; consequently, the savings passed through may result in a lower cost of money to the company.

Sales and Use Tax Exemptions

An exemption of sales and use taxes is available for the purchase or lease of new or replacement equipment or machinery for **manufacturing** facilities. The Utah Tax Code, Section 59-12-104, identifies applicable exemptions as follows:

(11) Sales or use of property, materials, or services used in the construction of or incorporated in pollution control facilities allowed by Sections 19-2-123--through 19-2-127**.**

(15) Sales or leases of machinery and equipment purchased or leased by a manufacturer for use in new or expanding operations (excluding normal operating replacements, which includes replacement machinery and equipment even though they may increase plant production or capacity as determined by the commission) in any manufacturing facility in Utah. Normal operating replacement shall include replacement machinery and equipment that increases plant production or capacity. Manufacturing facility means an establishment described in SIC Codes 2000 to 3999 of the Standard Industrial Classification Manual 192, of the Federal Executive Office of the President, Office of Management and Budget. For purposes of this subsection, the commission shall by rule define "new or expanding operations" and "establishments." By October 1, 1991, and every five years thereafter, the tax commission shall review this exemption and make recommendations to the Revenue and Taxation Interim Committee concerning whether the exemption should be continued, modified, or repealed. In its report to the Revenue and Taxation Interim Committee, the tax commission review shall include at least:

(a) The cost of the exemption;
(b) The purpose and effectiveness of the exemption; and
(c) The benefits of the exemption to the state.

(16) Sales of tooling, special tooling, support equipment, and special test equipment used or consumed exclusively in the performance of any aerospace or electronics industry contract with the United States government or any subcontract under that contract, but only if under the terms of that contract or subcontract title to the tooling and equipment is vested in the United States government, as evidenced by a government identification placed on the tooling and equipment or by listing on a government-approved property record if a tag is impractical;

(26) Property stored in the state for resale;

(28) Property purchased for resale in this state, in the regular course of business, either in its original form or as an ingredient or component part of a manufactured or compounded product.

Enterprise Zones

The Act passed by the Utah State Legislature provides tax credits for companies locating in rural areas that qualify for assistance. **Salina's Commercial Center has been designated an Enterprise Zone making these incentives available to qualified tenants**.

A. Job Creation Tax Credits (may claim for up to 30 full-time positions per tax year):

1) A $750 tax credit for each new full-time position filled for at least six months during the tax year;

2) An additional $500 tax credit if the new position pays at least 125% of the county average monthly wage for the respective industry (determined by the Utah Dept. of Employment Security). In the event this information is not available for the respective industry, the position must pay at least 125% of the total average monthly wage in the county;

3) An additional $750 tax credit if the new position is in a business which adds value to agricultural commodities through manufacturing or processing;

4) An additional $200 tax credit, for two consecutive years, for each new employee insured under an employer-sponsored health insurance program, if the employer pays at least 50% of the premium.

B. Other Tax Credits

5) A tax credit (not to exceed $100,000) of 50% of the value of a cash contribution to a 501(c)(3) private, non-profit corporation engaged primarily in community and economic development, and accredited by the Utah Rural Development Council;

6) A tax credit of 25% of the first $200,000 spent on rehabilitating a building which has been vacant for at least two years, and which is located within an Enterprise Zone;

7) An annual investment tax credit of 10% of the first $250,000 in investment, and 5% of the next $1,000,000 qualifying investment, in plant, equipment or other depreciable property.

C. Refundable State Tax Credits:

Beginning 2002 tax year, a new section of the Enterprise Zone law allows up to a total of $100,000 refundable state tax credit paid to a company for new employees and/or new plant and equipment. The payout term ranges from two years to seven years. It is applicable to new or expanding business in eleven rural counties. (Sevier County is one of the eleven.) Each project must be approved and the total funds are limited. Use of this credit may exclude the use of other income tax credits.

Recycling Market Development Zone Program

The Act passed by the Utah State Legislature provides tax credits for companies residing in the zone that collect, process, handle recycled content material or use them in their manufacturing processes, or composting. Recycling projects must be approved by the State.

- 5% state income tax credit on the investment in machinery and equipment;
- 20% state income tax credit (up to $2,000 annually) on eligible operating expenses; and
- Recycling credits and Enterprise Zone credits cannot be used on the same project.

Research and Development Tax Credits

The 1998 session of the Utah State Legislature passed bills that will provide a Research Tax Credit and a Research Tax Credit for Machinery and Equipment. These credits are for taxable years 1999 through 2010. The following non-refundable franchise/income tax credits are allowed:

A. Research Tax Credits for Machinery and Equipment

The credit amounts to six (6) percent of the purchase price of machinery and equipment (including computers, computer equipment and software) purchased during the taxable year, and primarily used to conduct qualified research in Utah. The credit also applies to installation costs. The credit is available only if the equipment or machinery is not exempt from the payment of sales or use taxes in Utah or another state.

B. Research Tax Credit

The credit amounts to six (6) % of a taxpayer's "qualified research expenses" paid or incurred for the tax year in excess of the taxpayer's "base amount" for that tax year. The base amount is determined by multiplying a fixed-base percentage by the taxpayer's average annual gross receipts attributable to sources within the state for the four tax years before the credit year. The credit applies only to "qualified research expenses" incurred in conducting "qualified research" in Utah. "Qualified research expenses" are those defined as such in Section 41 (c-g) of the Internal Revenue Code, which generally includes in-house research expenses (wages and supplies) and contract research expenses (i.e., 65% of amounts paid to certain non-employees).

<u>Provisions Applicable to Both Credits</u>

- May be carried forward for 15 years.

- Available to corporate (franchise) and individual (income) taxpayers.

- Available for basic research payments to, and for research machinery or equipment provided to a qualified organization (such as a university or college.)

- Available for "qualified research," as defined in Section 41 (d) of the Internal Revenue Code. Generally, this includes expediters for research undertaken for the purpose of discovering information that is technological in nature, and which is intended to be useful in the development of new or improved business components of the taxpayer, provided that substantially all of the activities of which involve the process of experimentation for a new or improved function, performance, reliability or quality.

- Generally, "qualified research" is defined as research conducted in an experimental or laboratory sense. It **does not include:** expenditures for routine or ordinary testing, inspection or quality control; efficiency, management or marketing studies; costs of acquiring another person's intellectual property; research with respect to a business component already in commercial production (excluding the costs of significant improvements in an existing product); costs of adapting existing products to particular customer's needs; reverse engineering costs; or certain types of internal use software.

Local Incentives

Salina City Incentives

In order for a client to be considered for incentive participation, the city will conduct an economic impact analysis for the proposed project being developed by the client. This analysis will review both the assets and liabilities the project will bring to the city. The analysis will address the following:

- Number of permanent new positions/jobs to be created
- Wage and benefit package provided for the position/job
- Type of jobs to be provided
- Amount of private investments in the project
- Source of the private investment, and commitment of the investment
- Size of the building required or planned for construction
- City services required and impact on: water, roads, sewer, storm water, fire/police

Other variables that will be included in the impact analysis include:

Sales taxes generated, Franchise taxes paid, Future company expansions, Term of commitment of the company, and Potential spin-off development

Processing Client Requests by Salina City

Each company who requests to be considered for incentives will be required to complete an application prepared by the City, and provide all information outlined in the application. If required, the City can request the developer to provide a project pro form, outlining the costs and return on the developed investment. In addition, the City may require financial information from the developer to ensure the project is feasible and that an adequate commitment has been made to proceed with the project.

All information provided to the City or its Representing Agency will be kept in strict confidence, and returned after review. The City/Agency will then review the project and determine the level of benefit to the City and the actual need of the company for the incentive.

Each company given an incentive will be required to enter into an agreement for development, which will outline the terms and conditions of the incentive to be given. The agreement will also specify the amount of time a company must remain within the City in order to receive the incentive without any pay back requirements.

Incentives will be for a period of (1) one to (15) fifteen years, depending upon the economic benefit provided by the project, the amount of liability, cost of the project, the funding gap required, and the risk to the City/Agency for the incentive.

Each company/client will be given a written report of the analysis of the project and the incentive to be offered within 30 days after the City/Agency receives a complete application and all requested information.

Economic Development Area/Tax Increment Financing

Tax Increment Financing (TIF) is utilized in areas that have been targeted for economic development. Economic Development Areas (EDA's) are set up and administered by local cities and municipalities. Portions of the new property tax generated by the new development (i.e., capital investment in building, property and land) can be returned to the company in the form of infrastructure development, land cost write-downs or other appropriate means. Up to 100% (less housing and administration costs) of the new property tax can be returned to a company for up to 15 years, or up to 75% of the new property tax can be returned to a company for up to 24 years. Each municipality constitutes a board, which votes on the approval of Tax Increment Financing for individual companies and their projects.

Tax Increment Financing 0-50%

a. 80% max received by agency
b. 10% for administration
c. 20% to City for infrastructure
d. .50% to potential company

Impact Fee Waiver

Fee Waiver 0-100%

a. Cost to the City
b. Usage of client
c. Potential of reimbursement to City by other sources i.e.

(tax increment, sales, user fee's)

Land Write-downs

0-100%

Levels of Service by Salina

Class A Clients

Jobs averaging over $15.00 dollars per hour

1) Respond to RFP
2) Answer client questionnaire - using outside assistance if needed
3) Keep client at an executive level
4) Establish a system of regular call-backs
5) Participate in all site visits
6) Offer to reimburse client for expenses to the area
7) Prepare an ad-hoc committee to assist client needing state incentives.
8) Assign a staff consultant to keep team focused
9) Commence economic analysis; maximum incentives will be considered.

Class B Clients

Jobs averaging $10-15.00 dollars per hour

1) Respond to RFP
2) Answer client questionnaire
3) Assign client to a staff person
4) Make regular call backs
5) Participate in site visits
6) Commence economic analysis; incentives to be considered, some participation in land costs (50% or less), and tax increment participation (50% for a 5-7 year period), review fee waiver

Class C Clients

Jobs averaging less that $10.00 dollars per hour

1) Respond to RFP
2) Answer client questions
3) Incentives minimum (waiver of fee or some increment for a 1 year period)

Regional & County Programs

Revolving Loan Fund

The Six County Association of Governments in Richfield operates a Revolving Loan Fund (RLF) utilizing a variety of federal resources. The maximum policy loan is $150,000 and can be used for any purpose. Funding requires that 1 job be created for every $20,000 loaned. **Contact Malcolm Nash of Sevier County for more information (435) 893-0454.**

Custom Fit Training

The Custom Fit Program provides training for new or expanding companies. A Custom Fit representative will discuss with the company the training needs anticipated and then develop a specific customized training plan to meet those needs. The required training can take place at a variety of locations including the business or a local institution. Often training is provided in both locations. The program can provide instructors from Snow College—Richfield, the private sector, consultants or instructors within the business. The program is designed to be flexible to meet the specific needs of the company. **Contact Jerry Hawley at (435) 896-9752**.

Workforce Services

The Workforce Services offices utilize a computerized, job-matching system that quickly screens applicants to ensure that they meet the qualifications set by a company. Workforce Services personnel can save countless hours by taking all of a company's applications, and then referring only the most-qualified applicants.

In addition to these services, space is available at Workforce Services offices for company staff to interview applicants, or Workforce Services employees can assist the personnel office on the company premises. Special programs such as Affirmative Action, Targeted Job Tax Credits and Veterans programs are also available.

The services offered for employers conducting a mass hiring are outlined as follows.

1. Pre-screening of Job Applicants
    - Computerized job-matching system to recruit qualified applicants
    - Pre-employment testing
    - Advertising job openings in newspapers and/or on radio stations
2. Market Information
    - Wage information per occupation
    - Number of available applicants in computer system sorted by occupational code
3. Other Services
    - Space in an office for employers to interview job applicants

- Workforce Services employees can assist your personnel office on the company premises.

A recent study estimated the salaries/benefit cost for processing and interviewing applicants at $189 per hired applicant. The majority of this expense is in the initial recruitment, application and pre-screening process. **Contact Lela King at the Richfield Office at (435) 896-0016.**

Federal Programs

USDA Business & Industrial Loan Guarantee Program

The program's primary purpose is to create and maintain employment and improve the economic climate in rural communities. The loan guarantees have a maximum of $10,000,000 although the RBS Administrator can grant up to $25 million. Generally less equity injection is required with longer repayment terms (machinery & equipment – 15-years or useful life, real estate – 30-years). It reduces concerns regarding collateral/appraisal issues in smaller communities. **Contact Richard Carrig in Salt Lake City at (801) 524-4328 or (801) 552-7357 [mobile].**