



Key State Economic Development Incentives and Programs

Office of Legislative Research and General Counsel
House Building, Suite W210 • Salt Lake City, Utah 84114 • (801) 538-1032

This report was prepared for the Economic Development and Workforce Services Interim Committee to help familiarize them with current economic development incentives and programs offered or administered by the Governor’s Office of Economic Development (GOED) and other state agencies.

Table of Contents

GOED PROGRAMS

- Economic Development Tax Increment
 - Financing (EDTIF) 1
- Industrial Assistance Fund (IAF) 2
 - Business Expansion and Retention Program (BEAR)..... 3
 - Rural Fast Track Program..... 3
 - Smart Schools 4
- Alternative Energy Manufacturing Tax Credits 4
- Life Science and Technology Tax Credits..... 5
- Motion Picture Incentive Program (MPIP) 5
- Enterprise Zones 6
- Utah Recycling Market Development Zones.. 7
- Technology Commercialization and Innovation Program (TCIP) 8
- Private Activity Bond (PAB) Authority 8
- Procurement Technical Assistance Centers (PTAC) 9

OTHER AGENCY PROGRAMS

- Alternative Energy Development Tax Credits 9
- Various Sales Tax Exemptions 10
- Research Tax Credits 10
- Utah College of Applied Technology:
 - Custom Fit Training Program..... 11

GOED PROGRAMS

Economic Development Tax Increment Financing (EDTIF)

Administered by the Governor’s Office of Economic Development (GOED), EDTIF provides refundable tax credits for up to 30% of new state revenues (sales, corporate, and withholding taxes paid to the state) over the life of a new commercial project (up to 20 years). Its purpose is to incentivize industry to create high-paying jobs, and tax credits are awarded only when recipients meet performance targets (post-performance).

Amounts and Restrictions:

- up to 30% of new state tax revenues over the life of the project;
- up to 50% of the new state tax revenues in a given year; and
- maximum 20-year term.

GOED creates an economic development zone in cooperation with a county or city. A new commercial project (new or expanding business, excluding retail) must:

- be within the development zone;
- include direct investment in the zone;
- bring new jobs to Utah;
- bring new state revenues;
- be considering siting in another state;
- qualify for a tax credit; and
- have one or more of the following:
 - include \$10 million in capital investment;
 - create new high-paying jobs* (125% above county average wage and at

- least 50 new jobs over its life or 100% of the county average wage for rural communities); or
- include significant purchases from Utah vendors and providers.

Each year, a project must apply to GOED for a tax credit certificate. GOED audits the project's compliance.

Scope and Costs:

FY 2013 Actual Partial Rebate: two projects totaling \$1.49 million, adding \$3.26 million in reported net new state revenues.

FY 2013 Tax Credits: 44 projects totaling \$11.37 million, adding \$35.9 million in reported net new state revenues.

In FY 2013, GOED authorized tax credit incentives of up to \$171 million to 23 companies, subject to their performance.

Notes/ References:

Utah Code Section 63M-1-2401

<http://business.utah.gov/programs/incentives/edtif/>

* By rule, GOED requires this job creation provision for all projects.

Contact:

Theresa A. Foxley, Managing Director
Corporate Recruitment and Business Services
(801) 538-8828
tfoxley@utah.gov

Industrial Assistance Fund (IAF)

Administered by GOED, the IAF is a restricted account in the General Fund allocated by the state Legislature to provide grants to help encourage job growth in Utah. For most IAF programs, incentives are paid on a post-performance basis after jobs are created in yearly increments. Its purpose is to develop industry, grow the economy, and provide adequate employment.

Amounts and Restrictions:

- local government must agree to provide local incentives before GOED will enter into an incentive agreement;
- create new high-paying jobs (125% above county average wage or 100% of the county average wage for rural communities); and
- jobs must be retained over the life of the project.

Of the restricted amount in IAF:

- up to 50% of IAF funds may be used in economically disadvantaged rural areas;
- up to 25% may be used to take timely advantage of economic opportunities as they arise;
- up to 4% of the IAF may be used for the BEAR program; and
- up to \$3 million may be used for incubating technology solutions for economic and workforce development.

Scope and Costs:

For FY 2013, IAF outstanding balances are:

- \$8.3 million (30 companies) in post-performance cash grants;
- Rural Fast Track – \$1.5 million (58 organizations); and
- Economic Opportunity – \$3.9 million (eight organizations).

For FY 2013, IAF post-performance incentives paid:

- \$353,000 in grants (three projects);

Key State Economic Development Incentives and Programs

• July 2014

- \$404,696 rural fast track grants (10 projects); and
- \$540,715 in economic opportunity grants (two projects).

Notes/ References:

Utah Code Section 63M-1-901

<http://business.utah.gov/programs/incentives/iaf/>

Contact:

Theresa A. Foxley, Managing Director
Corporate Recruitment and Business Services
(801) 538-8828
tfoxley@utah.gov

Business Expansion and Retention Program (BEAR)

Administered by GOED, the BEAR program is designed to assist in growing new and existing rural businesses, influencing rural job creation, and increasing economic diversity in rural regions by enhancing the level of technical services provided. The BEAR program is funded through the IAF.

Amounts and Restrictions:

- Up to 4% of the IAF may be used for the BEAR program.

The BEAR initiative is available to rural county economic development offices, Business Resource Centers, Small Business Development Centers, and formal partnership consortiums directly involving these entities within the state for business training and skill development.

Scope and Costs:

For FY 2013:

\$593,685 encumbered (17 projects)

\$304,188 paid (15 projects)

Notes/ References:

Utah Code Section 63M-1-904

Contact:

Delynn Fielding, Director
Office of Rural Development
(801) 538-8804
dfielding@utah.gov

Rural Fast Track Program

Administered by GOED, Rural Fast Track is a post-performance grant available to existing small companies in rural Utah to provide incentives for creating high-paying jobs in rural areas of the state. The Rural Fast Track Program is funded through the IAF.

Amounts and Restrictions:

A business files an application with GOED for cash awards or loans. The business must:

- be located and conduct its business operations in a county in the state that has:
 - a population of less than 30,000; and
 - an average household income of less than \$60,000;
- have been in business in the state for at least two years; and
- have at least two employees.

Cash awards may be made for each new incremental job that has been in place for at least 12 months in the amount of:

- \$1,500 per job that pays over 125% of the county's average wage;
- \$1,250 per job that pays over 115% of the county's average wage; and
- \$1,000 per job that pays over 110% of the county's average wage.

Grants, loans, or other financial assistance may be awarded up to \$50,000 per project or in amounts exceeding \$50,000 with board approval.

Scope and Costs:

20% of the unencumbered amount in the Industrial Assistance Account (part of the 50% for disadvantaged rural areas) (any unused

Key State Economic Development Incentives and Programs

• July 2014

allocation of this 20% is available to any Industrial Assistance program at the end of the third quarter of each fiscal year).

For FY 2013, total state disbursements of \$404,696 were distributed to businesses in the following counties:

- Carbon \$177,632;
- Emery \$157,000;
- Grand \$20,484; and
- San Juan \$49,580.

GOED also encumbered \$1.5 million to eligible projects for a potential performance term up to two years.

Notes/ References:

Utah Code Section 63M-1-904

<http://business.utah.gov/programs/incentives/rural-fast-track/>

Contact:

Delynn Fielding, Director
Office of Rural Development
(801) 538-8804
dfielding@utah.gov

Smart Schools

Administered by GOED, Smart Schools provide grants to an entity that implements technology innovation in public schools, including whole-school one-to-one mobile device technology deployment for the purpose of incubating technology solutions related to economic and workforce development.

Amounts and Restrictions:

Up to \$3 million may be used to incubate technology solutions related to economic and workforce development.

An applicant must demonstrate to the satisfaction of the administrator how:

- the economic opportunity and the related benefit to the economic well-being of

the state will enlarge or at least not reduce the state's tax base;

- the funding request will act in concert with other state, federal, or local agencies to achieve the economic benefit; and
- the funding request will act in concert with free market principles.

Scope and Costs:

For FY 2013:

- \$2.88 million awarded and expended for equipment, installation, training, and service; and
- \$120,000 awarded and expended for independent project evaluation.

Notes/ References:

Utah Code Section 53A-1-709, 63M-1-903, and 63M-1-909

Contact:

Theresa A. Foxley, Managing Director
Corporate Recruitment and Business Services
(801) 538-8828
tfoxley@utah.gov

Alternative Energy Manufacturing Tax Credits

Administered by GOED, the Alternative Energy Manufacturing Tax Credits are nonrefundable tax credits (post-performance) to encourage Utah business to use or expand use of alternative energy and manufacture equipment used to produce alternative energy.

Amounts and Restrictions:

The corporate and individual income tax credits may not exceed 100% of the new state revenues generated by the alternative energy project. The maximum duration is the lesser of the life of the project or 20 years.

An applicant must certify that the project will:

- generate new state revenues;
- produce alternative energy for a specified economic life of the project;

- include local incentive commitments for the project; and
- comply with documentation and reporting requirements.

GOED must certify an alternative energy entity's eligibility for a tax credit to the Utah State Tax Commission. The applicant and GOED then enter into an agreement to fill the conditions of the tax credit, and GOED issues a tax credit certificate to the applicant for use in applying for the tax credit to the Utah State Tax Commission.

Scope and Costs:

Enacted in 2012: for FY 2013, no tax credits were issued or awarded.

Notes/ References:

Utah Code Section 63M-1-3101

Contact:

Theresa A. Foxley, Managing Director
Corporate Recruitment and Business Services
(801) 538-8828
tfoxley@utah.gov

Life Science and Technology Tax Credits

Administered by GOED, the Life Science and Technology Tax Credits are nonrefundable tax credits (post-performance) to encourage life science entities to manufacture and invest in medical equipment, including electromedical and X-ray equipment.

Amounts and Restrictions:

The corporate and individual income tax credit may not exceed:

- 100% of the new state revenues generated by the life science company for the first three years;
- 75% of the new state revenues generated for years four, five, six, and seven;
- for investments, up to 35% of the purchase price of a Utah life science company paid over three years; and

Key State Economic Development Incentives and Programs

• July 2014

- seven years maximum duration.

An applicant must certify that the life science entity will:

- meet all the criteria to receive the tax credit;
- provide a long-term economic benefit to the state; and
- comply with documentation and reporting requirements.

GOED must certify a life science entity's eligibility for a tax credit to the Utah State Tax Commission. The applicant and GOED then enter into an agreement to fill the conditions of the tax credit, and GOED issues a tax credit certificate to the applicant for use in applying for the tax credit to the Utah State Tax Commission.

Scope and Costs:

For 2013, \$204,750 in tax credit certificates awarded for distribution over three years for 10 investments in three life science companies.

Notes/ References:

Utah Code Section 63M-1-2901

Contact:

Theresa A. Foxley, Managing Director
Corporate Recruitment and Business Services
(801) 538-8828
tfoxley@utah.gov

Motion Picture Incentive Program (MPIP)

Administered by GOED, the MPIP functions as a refundable tax credit or cash rebate for approved productions and operates on a post-performance basis on expenditures that are made in state. MPIP is to encourage the use of Utah as a site for the production of motion pictures and television series.

Amounts and Restrictions:

Rebate percentages:

- tax credit: 15-25% on dollars left in the state, with no per-project cap;

Key State Economic Development Incentives and Programs

• July 2014

- cash rebate: 15-25% on dollars left in the state, up to \$500,000 per project; and
- cash rebate or tax credit: 15-20% on \$200,000 to \$999,999 left in the state.

Scope and Costs:

\$ 1,420,845 in issued cash grants (14 projects)
\$1,233,814 in currently encumbered cash rebates authorized in previous fiscal years (14 additional projects)

\$5,058,246 in issued tax credits (seven projects)

\$11,796,214 in currently encumbered tax credits authorized in previous fiscal years (18 projects)

In FY 2013, there was a total of 26 projects, which created 1,980 jobs over 583 project days, resulting in a reported economic impact of \$64 million in the state.

Notes/ References:

Utah Code Section 63M-1-1801

Utah Administrative Rules R357-5-1

<http://film.utah.gov/mpif.htm>

Contact:

Marshall Moore, Director
Utah Film Commission
(801) 538-8740
mdmoore@utah.gov

Enterprise Zones

Administered by GOED, Enterprise Zones provide non-refundable tax credits (post-performance) to encourage businesses to create jobs in economically depressed rural areas by allowing the tax credits for businesses locating or expanding in a designated enterprise zone.

Amounts and Restrictions:

The corporate and individual income tax are:

- \$750 for each new full-time job;
- an additional \$500 for each new full-time job paying at least 125% of the

county average wage, \$750 for each agricultural commodities-related job, and \$200 for providing health insurance for an employee; and

- other credits available for certain cash contributions and building rehabilitation.

Tax credits may be carried forward for three years.

GOED creates an enterprise zone in a county of 50,000 or fewer population or a municipality of 15,000 or fewer population within a county of 50,000 or fewer population.

GOED looks at pervasiveness of poverty, unemployment, and general distress; potential for new investment and economic development; projected employment to residents; and innovative solutions. The county or municipality must submit an application that includes:

- an agreement with GOED to make a qualifying contribution, which may include:
 - simplified permit procedures;
 - dedication of grants and training funds;
 - waiver of business license fees;
 - infrastructure improvements;
 - private contributions;
 - utility rate concessions;
 - small business incubator programs;
 - or
 - management assistance programs;
- a plan that identifies local contributions and outlines types of investment and development expected, including types of jobs; and
- compliance with all application requirements.

An enterprise zone is for five years; reapplication is required.

27% of eligible municipalities are currently designated as an enterprise zone.

Key State Economic Development Incentives and Programs

• July 2014

Scope and Costs:

In 2013, over \$12.3 million in credits were awarded, coupled with significant private investment in rural Utah.

Notes/ References:

Utah Code Section 63M-1-401

<http://business.utah.gov/programs/incentives/enterprise-zones/>

Contact:

Delynn Fielding, Director
Office of Rural Development
(801) 538-8804
dfielding@utah.gov

Utah Recycling Market Development Zones

Administered by GOED, Utah Recycling Market Development Zones provide non-refundable tax credits (post-performance) to encourage businesses that use recycled materials in their manufacturing processes and create new products within designated recycling market development zones.

Amounts and Restrictions:

The corporate and individual income tax refundable tax credit is post-performance on:

- 5% of the purchase price paid for equipment used in:
 - commercial composting; or
 - manufacturing of recycled items or the reduction or reuse of post-consumer waste material; and
- 20% of eligible operating expenses (up to \$2,000).

The total tax credit may not exceed 40% of a taxpayer's Utah income tax liability in the taxable year of purchase. The credit is for the taxable year of purchase or authorized carry forward for the next three taxable years.

GOED creates a recycling market development zone in a county or municipality upon application if the county or municipality:

- agrees to make a qualifying contribution, which may include:
 - simplified permit procedures;
 - dedication of grants;
 - waiver of business license fees;
 - infrastructure improvements;
 - private contributions;
 - utility rate concessions;
 - zoning or general plan concessions;
 - or
 - other local contributions;
- provides for postconsumer waste collection for recycling within the zone; and
- complies with all application requirements.

A recycling market development zone is for five years; reapplication is required.

There are 28 cities, towns, and counties (or 11% of eligible municipalities) with current Recycling Zone designation.

Scope and Costs:

In 2012, 12 companies invested \$40.3 million, for a potential tax credit of approximately \$2 million.

Notes/ References:

Utah Code Sections 63M-1-1101, 59-7-610, and 59-10-1007

<http://business.utah.gov/programs/incentives/recycling-zones/>

Contact:

Delynn Fielding, Director
Office of Rural Development
(801) 538-8804
dfielding@utah.gov

Technology Commercialization and Innovation Program (TCIP)

Administered by GOED, the TCIP provides cash grants to encourage the acceleration and commercialization of promising technologies developed at Utah's institutions of higher education and (beginning July 1, 2014) small businesses.

Amounts and Restrictions:

The cash grants (loans are also allowed) may be awarded to Utah institutions of higher education that are seeking to commercialize their technologies, companies that license the technologies from Utah institutions of higher education, and (beginning July 1, 2014) small non-university affiliated businesses that are seeking to commercialize their technologies.

Maximum amounts depend on annual appropriations. Currently, grants of \$40,000 are awarded on a first application and up to an additional \$40,000 in a second round, for a maximum of \$80,000 per applicant for the same application of technology.

Scope and Costs:

For FY 2013, the TCIP conducted three grant solicitation cycles. Out of 86 grant applicants, 44 applicants were awarded a total of \$1.76 million.

For FY 2013, \$1.5 million in cash grants were paid to 45 projects (including projects awarded grants in previous years).

Notes/ References:

Utah Code Section 63M-1-704

Contact:

Kevin Jessing, Director
Life Science Cluster
(801) 538-8735
kjessing@utah.gov

Private Activity Bond (PAB) Authority

Administered by GOED, Private Activity Bond Authority provides tax-exempt bonds to provide a long-term source of capital for businesses.

Amounts and Restrictions:

The PAB is the state's tax-exempt bonding authority, creating a lower-cost, long-term source of capital under the Federal Tax Act of 1986. Each state establishes its usage priorities by statute. The federal government allocates \$34 billion per year to states on a per-capita basis. The state Legislature has established its priorities in the following four accounts:
Small Issue Account – percentage of total volume cap: 24%

- users: Manufacturing Facilities, Multi-Family Affordable Housing, Qualified Redevelopment Projects

Single Family Account – percentage of total volume cap: 42%

- users: Utah Housing Corporation for first-time single family homeowners

Student Loan Account – percentage of total volume cap: 33%

- users: Board of Regents for university and college students

Exempt Facility Account – percentage of total volume cap: 1%

- users: Pollution and Waste Control Projects

Scope and Costs:

In 2013, Utah's allocation was \$291,875,000.

In 2013, the \$291,875,000 was utilized by four projects:

- \$2,000,000 for manufacturing facilities;
- \$20,460,000 for multi-family housing;
- \$122,587,500 for single family housing; and
- \$146,827,500 as a carry-forward allocation to the Single Family Account, which expires December 31, 2016.

Notes/ References:

Utah Code Section 63M-1-3001
Federal Tax Act of 1986

Contact:

Roxanne C. Graham
Program Director
(801) 538-8699
roxanneg@utah.gov

Procurement Technical Assistance Centers (PTAC)

PTAC provides assistance to small and mid-sized Utah companies seeking assistance in bidding on and winning federal, state, and local government contracts.

Amounts and Restrictions:

PTAC's budget is provided by a federal grant from the Department of Defense and matching dollars from the Governor's Office of Economic Development, as approved by the state Legislature.

Scope and Costs:

In CY 2013, PTAC serviced over 1,200 active clients.

Notes/ References:

Utah Code Sections 63M-1-1101, 59-7-610, and 59-10-1007

Contact:

Fred Lange, Director
Utah Procurement Technical Assistance Center
(801) 538-8733
fglange@utah.gov

OTHER AGENCY PROGRAMS

Alternative Energy Development Tax Credits

Administered by the Office of Energy Development, Alternative Energy Development Tax Credits are nonrefundable tax credits (post-performance) on corporate and individual income tax to encourage Utah businesses to use or expand use of alternative energy.

Amounts and Restrictions:

The tax credits are 75% of the new state revenues generated by the alternative energy project. The maximum project duration is the lesser of the life of the project or 20 years. An applicant must certify that the project will:

- produce at least two megawatts of electricity or 1,000 barrels per day of crude oil equivalent;
- generate new state revenue;
- produce alternative energy for a specified economic life of the project; and
- comply with documentation and reporting requirements.

The Office of Energy Development must certify an alternative energy entity's eligibility for a tax credit to the Utah State Tax Commission. The applicant and the office then enter into an agreement to fill the conditions of the tax credit, and the office issues a tax credit certificate to the applicant for use in applying for the tax credit to the Utah State Tax Commission.

Scope and Costs:

No funding was provided in FY 2013.

Notes/ References:

Utah Code Section 63M-4-501

Contact:

Jeffery H. Barrett, Assistant Director
Office of Energy Development
(801) 739-5191
jhbarrett@utah.gov

Various Sales Tax Exemptions

Administered by the Utah State Tax Commission, numerous sales tax exemptions encourage certain economic development activities. Some of these are listed below.

Amounts and Restrictions:

Sales tax exemptions include:

- manufacturers (SIC 2000-3999) on the purchase of new equipment for Utah plant start-ups and replacement manufacturing equipment purchases;
- tooling, equipment, or parts used or consumed exclusively in the performance of any aerospace or electronics industry contract with the United States government, as evidenced by a government identification tag placed on the tooling, equipment, or parts or listing on a government-approved property record;
- sales or leases of rolls, rollers, refractory brick, electric motors, or other replacement parts used in the furnaces, mills, or ovens of a steel mill; and
- sales of aircraft manufactured in Utah.

The state sales tax exempted is 4.70% on the purchase price of the equipment. In addition, the exemption includes any local sales tax.

Scope and Costs:

Utah State Tax Commission estimates for FY 2013 exemptions:

- \$80 million – manufacturing machinery and equipment;
- \$845,000 – aerospace tools; and
- \$205,978 – steel mill non-durable equipment.

Notes/ References:

Utah Code Section 59-12-103 and 59-12-104 (14)

www.tax.utah.gov/forms/current/tc-721.pdf

Contact:

Barry Conover, Executive Director
Utah State Tax Commission
(801) 297-3820
bconover@utah.gov

Research Tax Credits

Administered by the Utah State Tax Commission, Research Tax Credits are nonrefundable tax credits (post-performance) to encourage businesses to do qualified research in Utah.

Amounts and Restrictions:

The corporate and individual income tax credits include up to 5% for qualified research activity.

The maximum duration is the taxable year of purchase.

Scope and Costs:

For FY 2012, \$36 million in corporate income tax credits and \$10.2 in individual income tax credits.

Notes/ References:

Utah Code Section 59-7-612 and 59-10-1012

<http://incometax.utah.gov/2010/credits/research-activities>

Contact:

Barry Conover, Executive Director
Utah State Tax Commission
(801) 297-3820
bconover@utah.gov

**Utah College of Applied
Technology: Custom Fit Training
Program**

Administered by the Utah College of Applied Technology, the Custom Fit Training Program is designed to attract new businesses and aid in the retention and expansion of existing businesses by providing custom training to employees based on employer's needs.

Amounts and Restrictions:

The Custom Fit Training Program is dependent upon annual legislative appropriation.

The program works with educational institutions and the local business community to provide customized employee training. A Custom Fit representative works with employers to determine the training needs, logistics, and budget, as well as the required matching cash contribution from the employer.

Scope and Costs:

For FY 2013, the Custom Fit Training Program provided training to 12,845 trainees from 1,299 companies. The \$2.7 million appropriation was matched with \$1.8 million of contributions from companies that benefitted from the training.

Notes/ References:

Utah Code Section 53B-2a-106

www.ucat.edu/wp-content/uploads/2013/07/Annual-Report-13-web.pdf

Contact:

Rob Brems, President
Utah College of Applied Technology
(801) 341-6001
rbrems@ucat.edu

