Key State Economic Development Incentives and Programs

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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.

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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 from employees 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. Tax credits are awarded only when recipients meet performance targets (post-performance).

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, including high-paying jobs;
- generate new state revenues;
- make Utah competitive
- qualify for a tax credit; and
- have one or more of the following:
  - include $10 million in capital investment;
  - create new high-paying jobs* (110% above county average wage, not including benefits, 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.

Amounts and Restrictions:
A tax credit may not exceed:

- 30% of new state tax revenues over the life of the project or 20 years;
- 50% of the new state tax revenues in a given year;
- maximum 20-year term;
- beginning September 1, 2015, if $1.5 billion in capital investment is made, up to 60% of the new state tax revenues over the life of the project or 20 years; and
- A successful applicant must enter into a written agreement describing the requirements to qualify for the tax credit, specifying the maximum amount of the tax credit, establishing the length of time the tax credit may be claimed, and agreeing to meet record keeping and audit requirements.

Scope, Costs, and Results:
FY 2014 Actual Partial Rebate: two projects totaling $1.72 million, adding $3.36 million in reported new state revenues.

FY 2014 Tax Credits: 18 projects totaling $6.62 million, adding $22.22 million in reported net new state revenues.

In FY 2014, GOED authorized tax credit incentives of up to $62.15 million to 22 companies, subject to their performance.

Between 2008 and 2014, the EDTIF program has offered $809 million in incentives. These incentives have produced $3.14 billion in projected new state tax revenues, $32.85 billion in projected new state wages, and an expected $7.74 billion in capital investment. EDTIF contracts between 2008 and 2014 expect to create 45,959 new jobs in future years.

Notes / References:
Utah Code Section 63N-2101 et. seq.

See pages 32-44 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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

* By rule, GOED requires this job creation provision for all projects. Beginning September 1, 2015, new jobs must average 110% of the average county or community wage.

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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:

- A business files an application with GOED that:
  - demonstrates that the applicant will expend funds in the state with employees, vendors, subcontractors, or other businesses at a minimum ratio of applicant funds to IAF of two to one per year for five years; and
  - demonstrates the applicant's ability to sustain economic activity in the state sufficient to repay the loan by means of cash or appropriate earned tax credits by creating a number of Utah jobs or increasing Utah economic activity.
- A successful applicant must enter into agreements with specific terms and

conditions, and conditions considered appropriate by the administrator.
- The board annually determines targeted industries, areas that are economically disadvantaged, the econometric cost-benefit model to be used, minimum interest rates, and minimum applicant expense ratios.

Of the restricted amount in IAF:
- up to 50% 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% may be used for the BEAR program; and
- up to $3 million may be used for incubating technology solutions for economic and workforce development.

Of the unencumbered amount in the Industrial Assistance Account, 20% of any unused allocation is available to any Industrial Assistance program at the end of the third quarter of each fiscal year. The 20% is part of the 50% for disadvantaged rural areas.

Scope, Costs, and Results:
For FY 2014, IAF commitments are:
- $7.1 million (20 companies) in post-performance cash grants;
- Rural Fast Track – $773,000 (24 organizations); and
- Economic Opportunity – $2.6 million (five organizations).

For FY 2014, IAF post-performance incentives paid:
- $316,146 in grants (four projects);
- $550,007 rural fast track grants (16 projects); and
- $1,569,501 in economic opportunity grants (six projects).

For FY 2014, post-performance training grants were awarded based upon a 50% match in the amount of $306,146. 710 employees received the jobs training. The remaining $10,000 was granted for the creation of 10 jobs.

Notes / References:
Utah Code Section 63N-3-101 et. seq.

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

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Business Expansion and Retention Program (BEAR)

Administered by GOED, the BEAR program is designed to assist in growing new and existing rural businesses, creating new rural jobs, 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 a component of the IAF program and 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, Costs, and Results:
For FY 2014:
$725,710 committed (18 projects)

As of June 2015, 13 of those contracts have been paid a combined $190,725.

Notes / References:
Utah Code Section 63N-3-103(1)

See page 62 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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 125,000;
  - is not located in a city with a population of more than 20,000; and
  - does not have an average household income of more than $70,000; and
- 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 median annual wage;
- $1,250 per job that pays over 115% of the county's median annual wage; and
- $1,000 per job that pays over 110% of the county's median annual 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, Costs, and Results:
For FY 2014, a total of 22 projects were approved with committed state funds of $814,449. Rural Fast Track grants were distributed to businesses in the following counties:

- San Juan $171,622;
- Sanpete $182,500;
- Carbon $142,000;
- Garfield $72,259;
- Emery $38,400;
- Millard $50,000;
- Beaver $50,000;
- Juab $44,168;
- Wayne $25,000;
- Daggett $25,000; and
- Morgan $13,500.

GOED also committed $773,395 to eligible projects for a potential performance term up to two years. This represents a reduction of 48% from FY 2013.

The 22 Rural Fast Track grant recipients in FY 2014 are projects to spend approximately $17.5 million in private investment and are projected to create more than 100 jobs.

Rural Fast Track recipients have made private investments of $1,306,933 compared to only $398,093 in disbursed Rural Fast Track grant funds. In other words, every $1 that the State distributed (as of Quarter 3, end FY 2015), was matched by $3.28 in private investment.

Notes / References:
Utah Code Section 63N-3-104

See page 62 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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

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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:
Smart Schools is a component of the IAF program.

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

An applicant must demonstrate to the satisfaction of the administrator (executive director of GOED) 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, Costs, and Results:
For FY 2014:

- $1.81 million awarded and expended for equipment, installation, training, and service; and
- $120,000 awarded and expended for independent project evaluation.

Southern Utah University has completed their first evaluation of the Smart Schools program. USOE and SUU reported to the legislature on results during a 2014 interim legislative session. Seeking a more comprehensive study on the quantitative results, the GOED Board allocated funding to complete a follow up study.

GOED continues to work with USOE and other stakeholders to improve the quality of the reporting for the program.

Notes / References:
Utah Code Section 53A-1-709, 63N-3-103, and 63N-3-109

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Alternative Energy Manufacturing Tax Credits

Administered by GOED, the Alternative Energy Manufacturing Tax Credits are nonrefundable tax credits (post-performance) to encourage Utah businesses to use or expand use of alternative energy and manufacturing 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 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, Costs, and Results:
Enacted in 2012: for FY 2013 and FY 2014, no tax credits were issued or awarded.

Notes / References:
Utah Code Section 63N-2-701

See page 31 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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Technology and Life Science Tax Credits

Administered by GOED, the Technology and Life Science 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:
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 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, Costs, and Results:
Through FY 2014, $104,500 in tax credit certificates have been awarded for investments in three life science companies and $549,800 in tax credits have been awarded to three life science companies for job creation.

Notes / References:
Utah Code Section 63N-2-801

See page 30 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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. The purpose of MPIP is to encourage respective industry companies to make Utah a destination for the production of motion pictures, television series, and digital media projects.

Amounts and Restrictions:
A motion picture company or digital media company must enter an agreement with GOED and provide an audited report identifying and documenting the dollars spent in the state and new state revenues generated. For a motion picture company, incentives are either a cash rebate from the Motion Picture Incentive Account that consists of annual appropriations by the Legislature or a refundable tax credit. A digital media company may only receive a refundable tax credit.

Rebate percentages:

- Tax credit, up to 20% of the dollars left in state by a motion picture company or a digital media company and an additional 5% under certain conditions for a motion picture company; and

- Cash rebate, up to $500,000 per state-approved motion picture project.

Scope, Costs, and Results:
The MPIP has an annual appropriation of $6,793,700.

There was a total of 23 projects that completed production in FY 2014, which created 1,711 jobs, included 608 production days, and resulted in an economic impact of $23 million in the state.

Notes / References:
Utah Code Section 63N-8-101

Utah Administrative Rules R357-5-1

See page 75 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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 credits available in an Enterprise Zone 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 may create an enterprise zone in:

- a county with a population of 50,000 or fewer; or
- a municipality with a population of 15,000 or fewer within a county of 50,000 or fewer.

In establishing an Enterprise Zone, GOED looks at pervasiveness of poverty, unemployment, and general distress; potential for new investment and economic development; projected employment to residents; and innovative solutions in Enterprise Zones. 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 established for five years; reapplication is required.

27% of eligible municipalities are currently designated as Enterprise Zones.

Scope, Costs, and Results:
In FY 2014, over $14.4 million in credits were claimed, coupled with significant private investment in rural Utah.

Notes / References:
Utah Code Section 63N-2-201 et. seq.

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

See page 62 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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, Costs, and Results:
Approximately $1.71 million in potential state tax credits.

In FY 2014, 10 companies invested over $4.6 million for the potential state tax credit (see above).

Notes / References:
Utah Code Sections 63N-2-401, 59-7-610, and 59-10-1007

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

See page 30 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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 or in partnership with Utah's institutions of higher education and 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, in FY 2015, small non-university affiliated businesses with promising technologies that have the potential to increase economic development in the state.

Grants are competitively awarded following outside review and weighing of technical merit, available matching funds, and potential for job creation and economic development. For FY 2014, the maximum award amount was $100,000. Also new to TCIP in FY 2015, awardees were required to complete a mentoring program to accelerate their success with training and insight provided by experienced entrepreneurial mentors.

Scope, Costs, and Results:
For FY 2014, $1 million was awarded in three grant cycles.

Through three grant cycles, 93 grant applications were submitted and 26 "promising projects" from four universities were funded. In order to receive TCIP funding, the projects were required to secure over $1 million in matching funds from private or federal sources to augment the state's investment.

Notes / References:
Utah Code Section 63N-3-201

See page 71 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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 Bond Account – percentage of total volume cap: 24%

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

Single Family Housing 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: Utah State Board of Regents for university and college students

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

- users: projects of government-owned facilities including airport, mass commuting, water, electricity, gas, heating, cooling, sewer, pollution, and solid waste.

The PAB Program provides:

- decent and affordable housing for families with limited incomes;
- financial assistance to small businesses for buildings and equipment; and
- funding to governmental units to:
  - redevelop blighted areas; and
  - provide certain types of facilities and utilities.

Scope, Costs, and Results:
There is no state-appropriated funding. Costs of the program, including staff personnel, are paid from applicant fees.

Utah's 2014 volume cap amount of $296,825,000 allocated $18,475,000 for one multi-family housing project for households making 60% or less of the country's area median income and $278,350,000 for single family, low-income, first-time homebuyers.

Notes / References:
Utah Code Section 63N-5-101
Federal Tax Act of 1986

See page 29 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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, Costs, and Results:
In FY 2014, PTAC provided service and counseling to more than 1,450 active clients.

Utah small business clients, numbering 1,458, reported winning 1,427 government contracts, representing more than $300 million. Regional managers completed 2,876 counseling sessions and 69 workshops and outreach events with 4,769 attendees.

Notes / References:
Utah Code Sections 63N-13-101

See page 59 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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Tourism Marketing Performance Account (TMPF)

Administered by the Utah Office of Tourism, Film, and Global Branding (UOT), a program within the Governor's Office of Economic Development (GOED), the TMPF captures revenue from predefined tourism-related sales tax growth. The money is spent primarily on advertising with the goal of increasing Utah tourism as indicated by performance measures. The amount in the TMPF account increases by $3 million annually, as long as certain measures are met.

Amounts and Restrictions:

- The office shall annually allocate 10% of the TMPF to a sports organization (Utah Sports Commission) for advertising, marketing, branding, and promoting Utah in attracting sporting events to the state;
- The Board of Tourism Development has the authority to approve a tourism program of out-of-state advertising, marketing, and branding, taking into account the long-term strategic plan, economic trends, and opportunities for tourism development on a statewide basis, as a condition of the distribution of funds to the office from the TMP under Section 63N-7-301; and
- The board shall advise the office in establishing a cooperative marketing program that shall be allocated 20% of the revenues appropriated to the office from the TMP.

Money allocated to the cooperative marketing program may be awarded to cities, counties, nonprofit destination marketing organizations, and similar public entities for the purpose of supplementing money committed by these entities for advertising and promoting sites and events in the state. There are two cooperative marketing programs:

- Traditional Program – Eligible entities will be able to apply for up to $325,000 in matching funds in FY 2016 to implement projects that they propose to the cooperative marketing committee of the Board of Tourism Development; and
- Cafeteria Program – Eligible entities may pick from a menu of pre-determined domestic and international marketing initiatives to receive a 1:1 match of up to $60,000.

Scope, Costs, and Results:
For FY 2016, the TMPF was appropriated $18 million:

- $1.8 million will go to the Utah Sports Commission (the Utah Sports Commission will receive an additional pass through of $3 million from GOED);
- $3.6 million is set aside for the cooperative marketing program for destination marketing organizations / non-profit tourism-related entities.
- UOT will use the remaining $12.6 million for:
  - advertising in the form of TV, digital and social media, print, billboards, etc.;
  - public relations;
  - international representation and promotional efforts;
  - tradeshows; and
  - sponsorships.
- The Mighty 5 three-season campaign and Find Your Greatest winter ad campaigns were implemented using TMP dollars.
- For the cooperative marketing program in FY 2015:
  - 56 applications were awarded $3.1 million in matching funds.
- The 2013-14 Winter ad campaign* generated:
  - 58,429 incremental traveling households;
  - over $122 million in visitor spending; and
  - over $5.7 million in state tax revenue and nearly $4 million in local tax revenue.

- 2014 Three-season ad campaign* generated:
    - 485,440 incremental traveling households
    - Over $592 million in visitor spending
    - $27.8 million in state tax revenue
    - $19.2 million in local tax revenue
- In 2013, UOT efforts combined with other tourism industry partners and businesses led to:
    - $7.5 billion in traveler spending in 2013;
    - a record $1.02 billion in state and local tax revenue in 2013; and
    - the tourism industry supporting nearly 132,681 jobs in 2013. (2014 figures are pending.)

Notes / References:
Utah Code Sections 63N-7-101

* Results based on an advertising effectiveness study by Strategic Research and Marketing, Inc.

See page 79 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

http://travel.utah.gov/opportunities/cooperative-marketing

http://travel.utah.gov/opportunities/cafeteria-marketing

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Rourism (Rural Tourism Initiative)

Administered by the Utah Office of Tourism, Film, and Global Branding (UOT), a program within the Governor's Office of Economic Development (GOED), the mission of the Rourism initiative is to:

- improve the visitor experience, leading to more spending and tax revenues;
- identify strategies to enhance the recreation and support service infrastructure in emerging rural tourism destinations; and
- identify strategies to increase support services, capacity, and to extend the busy season for developed gateway communities.

UOT is working with:

- Office of Outdoor Recreation (GOED program);
- Rural Development (GOED program);
- Utah Tourism Industry Association;
- other partners, as needed; and
- four pilot counties selected for more intensive planning: Box Elder, Daggett, Emery, and Kane.

Amounts and Restrictions: N/A

Scope, Costs, and Results:
UOT set aside $100,000 from its operating budget in FY2015 for Rourism efforts.

UOT is working on:

- best practices research gathered from other states and communities;
- statewide online interactive recreation map;
- recreation infrastructure development plans with select counties;
- grants related to tourism, recreation and economic development;
- welcome centers and rest stops improvements;

- regional digital campaigns promoting scenic byways/road trips;
- Tourism Oriented Directional Sign (TODS) Program approved by legislature in 2015 general session;
- asset inventory of pilot counties completed by SUU; and
- commissioning Roger Brooks International to lead pilot communities through a process of identifying their niche and developing a "Branding, Development, and Marketing Action Plan" unique to each pilot county.

Notes / References:
Utah Code Sections 63N-7-101

See page 79 of GOED 2014 Annual Report at http://business.utah.gov/publications/.

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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, 1,000 barrels per day of crude oil equivalent, or 250 barrels per day if produced by a biomass energy fuel;
- generate new state revenue;
- produce alternative energy for a specified economic life of the project; and
- comply with 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, Costs, and Results:
No individual or corporate income tax credits have been claimed through 2014.

Notes / References:
Utah Code Section 63M-4-501

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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 2014 exemptions:

- $112 million – manufacturing machinery and equipment;
- $840,000 – aerospace tools; and
- $206,000 – 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

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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 tax year 2014, $33.5 million in corporate income tax credits and $10.6 in individual income tax credits were granted.

Notes / References:
Utah Code Section 59-7-612 and 59-10-1012

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

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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 2014, the Custom Fit Training Program provided training to 14,029 trainees from 1,214 companies. The $2.7 million appropriation was coupled with $1.7 million in 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-14-2.pdf

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