



State & Local Credits & Incentives (C&I) – Update

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December 6, 2012

C&I Overview

- A significant amount of “credits and incentives” benefits goes unclaimed every year in the US.
- Limited company resources make tracking of the constantly changing incentive opportunities difficult and often cost prohibitive.
- Depending upon project parameters, incentives may, in certain circumstances, be negotiated which are more advantageous than existing guidelines otherwise would suggest.
- Many incentives must be secured and approved prior to a company making public announcements or private commitments to proceed with a project.

Service Categories

Statutory Credits

- Opportunities
 - Hiring-based credits
 - Investment-based credits
 - Activity-based credits
- Scope of Services
 - Identify and Request Tax Refunds
- Potential C&I Benefit
 - 1% to 6% of qualified investment and \$500 - \$12,000 per qualified employee

Negotiated Incentives

- Opportunities
 - Sales/Property Tax Abatements
 - Cash Grants/Low Cost Financing
 - Infrastructure Assistance/Utility Reductions
 - Expedited Permitting/Fee Waivers
- Scope of Services
 - Government Discussions, Application & Program Compliance
- Potential C&I Benefit
 - Up to 10% of initial project costs and/or 5% of ongoing operating costs

Employee Training

- Opportunities
 - Tax Credits
 - Cash Grants
 - Customized Company specific Course Development
- Scope of Services
 - Government Discussions, Application, Program Compliance
- Potential C&I Benefit
 - 33% to 66% of qualified expenses

Federal HIRE Act



Hiring Credits – Refund Opportunities

- HIRE Act Employment Tax Credit – IRC § 3111(d)
 - Exempts employer from paying OASDI tax (6.2%) on wages paid to eligible employees between 3/19/10 and 12/31/10 to persons hired between 2/4/10 and 12/31/10
 - Savings of up to \$6,621 per employee
- HIRE Act Employee Retention Tax Credit - IRC § 38(b)
 - Available to employers who hire eligible employees in 2010 and retain them for at least 52 consecutive weeks
 - Credit is the lesser of \$1,000, or 6.2% of the wages paid over 52 consecutive weeks



Hiring Credits – Current Potential Opportunities

- Work Opportunity Tax Credit – IRC § 51
 - Available to employers who employ members from certain targeted groups that have faced significant barriers to employment, including:
 - Veterans
 - Ex-felons
 - Recipients of food stamps (SNAP) or Supplemental Security Income (SSI)
 - Disabled persons
 - Victims of certain natural disasters
 - Credit ranges from \$2,400 to \$5,000 per employee, depending on the targeted group
 - Not applicable to wages paid to an employee hired after August 31, 2011
- Vow to Hire Heroes Act
 - Extends the Work Opportunity Tax Credit through December 31, 2012 for hiring veterans
 - Increases the amount of tax credits available per hire, up to \$9,600

Federal Work Opportunity Tax Credit (WOTC) – Update



Legislative Update

- Majority of WOTC program currently in hiatus as of 12/31/11
- VOW to Hire Heroes Act signed into law in November 2011
 - Extends existing Veteran target group with tax credits of up to:
 - \$9,600 for hiring veterans with service connected disabilities who have been unemployed more than 6 months
 - \$4,800 for hiring veterans with service-connected disabilities. (No unemployment qualification requirement for this group)
 - \$2,400 for hiring veterans receiving Supplemental Nutrition Assistance Program (SNAP) benefits
 - Creates new Unemployed Veteran target group with tax credits of up to:
 - \$5,600 for hiring veterans who have been looking for a job for more than 6 months
 - \$2,400 for hiring veterans who are unemployed for more than 4 weeks but less than 6 months
- Electronic signature methodology announced on February 9, 2012
- Programming of T4WOTC technology already underway to incorporate new changes to program

Hiring Credits – WOTC for Veterans

Veteran Category	Qualified First Year Wages	Maximum Credit
Veteran receiving 3 of last 15 months Supplemental Nutrition Assistance Program (SNAP)	\$6,000	\$2,400
Veteran entitled to compensation for service-connected disability and discharged within 1 year ending on hiring date	\$12,000	\$4,800
Veteran entitled to compensation for service-connected disability and unemployed for at least 6 months within 1 year ending on hiring date	\$24,000	\$9,600
Veteran receiving Unemployment Insurance payment for at least 4 weeks and less than 6 months within 1 year of hiring date	\$6,000	\$2,400
Veteran receiving Unemployment Insurance payment for at least 6 months within 1 year of hiring date	\$14,000	\$5,600

State Veteran Credit Benefits Update



Employment Tax Credits for Veterans

Illinois

- New credit up to \$5,000 for each qualified veterans hired on or after June 1, 2012.
- Qualified veterans must have been unemployed for an aggregate period of four weeks or more during six-week period before date of hire.
- Existing Illinois credit equal to 10% of qualified employee wages up to \$1,200 per employee each year beginning with tax years on or after January 1, 2010 without unemployment requirement (5% up to \$600 for tax years beginning on or after January 1, 2007 and ending on or before December 30, 2010).

Wisconsin

- Credit up to \$4,000 in the first taxable year and \$2,000 in each of the three subsequent taxable years for each disabled veteran hired to work a full-time job for tax years beginning after December 31, 2011.
- For part-time jobs, the base credit amount is \$2,000 in the first taxable year and \$1,000 in each of the three subsequent taxable years.
- No credit may be claimed in any taxable year in which the disabled veteran voluntarily or involuntarily leaves his or her employment with the claimant.
- In addition, the credit may be claimed only for hiring a disabled veteran who has received unemployment compensation benefits for at least one week prior to being hired by the claimant, who was receiving such benefits when he or she was hired by the claimant, and who was eligible to receive such benefits at the time the benefits were paid.

Employment Tax Credits for Veterans (con't.)

Alabama

- New credit equal to \$1,000 for recently deployed, unemployed veteran hired on or after April 2, 2012 for tax years beginning on or after January 1, 2012.
- The veteran must:
 - Be a resident at the time of entry into military service, or was mobilized while a member of the Alabama National Guard or reserve unit in Alabama regardless of home record;
 - Have received an honorable or general discharge from active federal military service within the two-year period preceding the date of hire; and
 - Be certified by the Department of Industrial Relations at the time of hire as collecting or being eligible to collect unemployment benefits or having exhausted unemployment benefits.

Utah

- Credit up to \$7,200 over two years for recently deployed, unemployed veteran hired on or after January 1, 2012.
- \$200 for each month of employment up to \$2,400 in first taxable year.
- \$400 for each month of employment up to \$4,800 in the second taxable year.
- Veteran must have been mobilized to active federal military service in an active or reserve component of the US Armed Forces and received an honorable or general discharge within the two-year period before the employment begins.

Employment Tax Credits for Veterans (cont.)

New Mexico

- Credit up to \$1,000 of gross wages paid to each qualified veteran for tax years beginning on or after January 1, 2012 and ending on or before January 1, 2017.
- Qualified veteran is defined as an individual who is hired within two years of receipt of an honorable discharge for the US military who works at least 40 hours per week during the tax year.

Philadelphia

- Credit against business income and receipts tax equal up to \$4,000 over 24 months of employment for hiring a full-time veteran between July 1, 2012 and June 30, 2014 (\$2,000 for part-time).
- Must meet qualifications under the federal VOW to Hire Heroes Act of 2011, served at least six months in active full-time duty in past 10 years, received honorable discharge and be paid at least 150% of federal minimum wage.

2012 Legislative Reform of Existing State Credits



Illinois R&D Extension & Enterprise Zone Credits

- R&D Extension
 - Extends credit from tax years ending prior to 1/1/2011 to 1/1/2016.
 - Eliminates language disallowing carryforward of R&D for tax years ending on or after 1/1/2011.
- Enterprise Zone Reform
 - Establishes an Enterprise Zone Board and sets new criteria for certifying Enterprise Zones (EZ).
 - Extends certain EZ designations, limits new EZ designations to up to 25 years, and prohibits extension of River Edge Redevelopment Zones (RERZ).
 - Eliminates EZ/High Impact Business (HIB) Jobs Credit, EZ Dividend Deduction, and EZ Interest Income Deduction.
 - Authorizes the Department of Revenue to issue EZ and HIB Building Material Exemption Certificates.
 - Requires businesses receiving EZ, RERZ and HIB incentives to report annually on the incentives received.
 - Requires EZ Administrators to post EZ boundaries online, collect and aggregate project-related costs, and caps project fees.
 - Signed into law August 7, 2012.

Miscellaneous Credit Updates

- Maryland Job Creation Tax Credit Extension
 - Maryland HB 1107, signed into law as Chapter 522, extends the termination date of the job creation tax credit program to January 1, 2020, and lowers factors used to calculate the credit amount based on the number of qualified employees and wages.
 - Tax credits are allowed ratably over a two-year period, can be carried forward, and are subject to recapture.
- Iowa High Quality Jobs Program Requirements Modified
 - The Iowa High Quality Jobs Program, a program that allows for Iowa corporate income tax credits or sales and use tax refunds has been modified and definitions have been added or clarified.
 - Effective May 25, 2012, tax incentives are based on the number of jobs created or retained that pay at least 120% (previously 130%) of the qualifying wage threshold.
 - However, in certain instances the state may provide assistance to certain businesses that pay less than 120% of the minimum wage threshold if that business is located in an economically distressed area.
 - Additionally, businesses may not be in the process of reducing operations in one community while applying for assistance in another. A project that reduces operations during the twelve months before or after an application is submitted is presumed to be reducing operations.

Ohio Incumbent Workforce Training Incentive



Ohio Incumbent Workforce Training Grant

Current/Time-Sensitive Opportunity – will operate on a first-come, first-served basis; currently waiting for Ohio to make an official announcement.

- New program which will allow eligible taxpayers to apply for a training grant up to \$500,000 per FEIN
- Reimbursement of 50% of eligible training expenditures, up to \$4,000 grant per eligible employee
- Eligible employees are those who are:
 - Employed in production, back office operations, IT, logistics, or R&D;
 - Earning an hourly wages of at least 150% of federal minimum wage (currently \$10.88) plus benefits;
 - Ohio residents at least 18 years of age, and
 - Working at least 25 hours/week.
- Eligible training activities include, but are not limited to:
 - Classes at an accredited educational institution;
 - Training leading to an industry-recognized certificate;
 - Training as part of a purchase of new M&E;
 - Upgrade of computer skills;
 - Training for improved process efficiency (e.g., ISO-9000, Six Sigma, etc.).
- Continuing education, soft skills, conference fees, and travel costs are some examples of ineligible expenditures.

Michigan Prospective Incentives



Michigan Prospective Incentives

Real and Personal Property Tax Exemption

- Overview:

- Businesses may be eligible for partial real and personal property tax exemption on new property placed in service

- Opportunity:

- Real Property Tax Exemption of up to 50% for a period not to exceed 12 years
- Personal Property Tax Exemption of up to 100%, generally not to exceed 12 years

- Considerations:

- Application to, and approval from the local jurisdiction prior to making the investment, or any related announcement. State certification is also required

Michigan Business Development Program

- Overview:

- Businesses may be eligible for cash grants from the state for creating new jobs

- Opportunity:

- Potential benefits range from \$1,500 to \$3,500 per new job

- Considerations:

- Generally, the program requires creation of at least 50 new jobs; however, the threshold is reduced to 25 new jobs for high-technology or rural facilities

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