

SOUTH DAKOTA INCENTIVES

Taxes & Business Climate

IN SOUTH DAKOTA, WE'RE READY TO WORK. Companies doing business in our state enjoy a workforce that is dedicated, prepared and productive. In addition to providing the people you need, South Dakota offers you a business climate that allows you to succeed.

You see, South Dakota businesses have consistently enjoyed a pro-business climate. We're the only state in the nation with no corporate income tax, no personal income tax, no personal property tax, no business inventory tax and no inheritance tax. As you read through the following information, you'll see why so many businesses are choosing to call South Dakota home.

- No Corporate Income Tax
- No Personal Income Tax
- No Personal Property Tax
- No Business Inventory Tax
- No Inheritance Tax
- Competitive Workers Compensation Rates
- 5th Lowest Unemployment Insurance Rates
- Best Environment for Entrepreneurs
- Best Run State
- Lowest Cost of Doing Business
- 2nd Best State Business Tax Climate
- 7th Best Corporate Business Climate
- 9th Lowest Unionization Rate
- Right-to-Work State

UNEMPLOYMENT INSURANCE The average unemployment insurance rate for experienced employers is 1.95 percent. The wage base is \$13,000. For new employers the rate is 1.75 percent for the first year's operation and 1.55 percent for the second and third years if the company's account balance is positive. Thereafter, the rate is based on the company's experience.

WORKERS COMPENSATION \$2.87 per \$100 payroll is the average rate a manufacturer can expect to pay in South Dakota and back-office operations can expect to pay as little as \$0.30 per \$100 payroll. South Dakota employers insure workers by the type of work done, not the overall company code, enabling businesses to save money on workers compensation fees.

South Dakota workers compensation is not charged against vacation, sick or holiday pay which can save you approximately 10 percent on workers compensation costs.

In South Dakota, insurers are permitted to apply up to a 25 percent credit on a company's final workers compensation premium if the company qualifies after a safety or loss control inspection, and if the company agrees to the safety recommendations of the insurer.

REAL PROPERTY TAX Local real property taxes vary from 1 to 4 percent of the actual value of the structure, with most rates falling around 3 percent. The assessed value of a property is currently considered 85% of the market value. Property taxes are then calculated based on the assessed value of the property.

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PROPERTY TAX ABATEMENT County commissioners may, at their discretion, forgive from zero to 100 percent of the property taxes on a new structure or an addition to an existing one. This abatement may be available on all industrial, commercial and non-residential agricultural structures valued at \$30,000 or more.

SALES, USE & CONTRACTORS' EXCISE TAX Manufacturing operations are subject to sales tax in South Dakota for any new machinery and equipment brought in for the new operation. Any machinery and equipment that is seven years old or more is exempt from the sales tax in South Dakota.

State Sales Tax:	4.0%
Local Sales Tax:	0.0% to 2.0%

GASOLINE/MOTOR FUEL TAX

Petroleum Fuel:	24.0¢ per gallon
E10 Fuel:	20.6¢ per gallon
E85 Fuel:	10.1¢ per gallon

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Financing Incentives

IMAGINE doing business in a state with no corporate income tax, no personal income tax, no business inventory tax and no personal property tax.

If that's not enough to make you think about doing business in South Dakota, consider that we can offer you several financing incentives that make growing your business a reality.

REDI FUND We give new meaning to the phrase "ready, willing and able." Our REDI (Revolving Economic Development and Initiative) Fund is designed to help promote job growth in South Dakota. This low interest loan fund is available to start-up firms and businesses that are expanding or relocating.

This fund provides permanent financing for the purchase of land and associated site improvements, construction, acquisition, renovations of buildings and equipment.

The REDI Fund loan amount is based on job creation, with the total loan amount being no greater than 45 percent of the total project costs. Companies must first secure matching funds and be able to provide a 10 percent minimum equity contribution before applying to the Board of Economic Development for a REDI Fund loan.

REDI AT A GLANCE

- 2 percent interest
- Amortized to the useful life of assets
- 5-year balloon payment

Interest rates were recently reduced to 2 percent. Loans are amortized up to 20 years on a building and 10 years on equipment, with a balloon payment due after five years.

Wage & benefit requirements must be met to utilize the program.

EDFA Another financing option available in South Dakota is the Pooled Bond Program, available through the state's Economic Development Finance Authority (EDFA). This loan program, designed for more capital intensive projects, provides

EDFA AT A GLANCE

- Long-term, fixed interest rate
- "A+" rating by Standard and Poors
- Can finance up to 80 percent land and building and 75 percent new equipment costs
- Access to larger capital markets

small businesses access to the public bond market through the issuance of tax exempt bonds. The program can fund projects individually or pool them to help lower the cost of the bond issuance. One of the biggest advantages of this program is that borrowers are guaranteed a long-term loan and a fixed interest rate.

Another benefit is the EDFA's "A+" rating by Standard and Poors. By maintaining an "A+" rating, EDFA is able to offer a lower interest rate to the borrower.

This program is open to for-profit manufacturing businesses. The bonds can be used for the purchase of new machinery and equipment used in an industrial process. Our tax-exempt bonds can fund projects with total costs less than \$20 million. The maximum bond issue is \$10 million. We also offer taxable bonds that do not limit the project cost amount, however the maximum bond issue is still \$10 million.

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SOUTH DAKOTA WORKS The South Dakota WORKS program offers business/commercial loans to businesses needing working capital. Eligible uses of these loans include start-up costs, working capital, payroll, and construction needs on new buildings.

Eligible borrowers for South Dakota WORKS loans include businesses seeking new financing and certified development financial institutions (CDFIs). Any borrower must meet US Treasury guidelines. A company may have only one WORKS loan at a time.

The loans are for one (1) to five (5) years. The maximum for a loan is \$1 million and the minimum is \$20,000. The structure of a loan would entail a bank/private lender providing 80 percent of the financing and the WORKS loan 20 percent. The WORKS loan would take a second position on collateral behind the participating bank or private lender.

SBA 504 The SBA 504 loan program is another attractive and effective financing tool. This is available to for-profit businesses. This program, which offers long-term, fixed-rate financing, is available for fixed asset purchases only. That could include land, buildings, new construction and equipment.

SBA 504 AT A GLANCE

- Long-term, fixed-rate financing
- Available to for-profit businesses
- Fixed asset purchases only

The SBA 504 recognizes the financial risk of start-up businesses and single purpose facilities and is willing to participate in these ventures, although they do require more equity.

Another benefit of this program is that the participating lender receives the first lien on the project.

APEX The APEX Loan Program is designed to assist companies in communities with a population of 25,000 or less.

The program is open to for-profit businesses and some non-profit businesses. The money can be used to purchase land, purchase equipment or buy or renovate a building.

The program may provide up to 75 percent of the total project costs and requires 10 percent minimum equity contribution. The loans are amortized over the useful life of the assets and have a 3 percent interest rate with a balloon payment at six years.

APEX AT A GLANCE

- Maximum loan amount is \$237,500
- 3 percent interest, six year balloon payment
- Can provide up to 75% of total project costs

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SOUTH DAKOTA MICROLOAN/MICROLOAN EXPRESS

These programs are designed to help small businesses grow and help rural communities remain viable. It is the first GOED financing program that offers businesses access to working capital and it is subordinated debt.

Local banks must fund at least 50 percent of the project costs. The state may fund up to 50 percent of the project costs, but not more than \$100,000. Total project costs may not exceed \$500,000. 3 percent interest rate.

If an applicant qualifies under the policies and procedures of the MicroLOAN and they receive bank or credit union approval, approval under the MicroLOAN Express will be automatic as long as the MicroLOAN Express portion is pro-rata first collateral position with the bank or credit union.

MICROLOAN AT A GLANCE

- \$100,000 maximum, \$1,000 minimum
- Five-year balloon/term
- Local banks must fund at least 50 percent of the project costs

The bank or credit union must file all of the documents it requires of the applicant, as well as all internal documents relating to the loan with the Governor's Office of Economic Development in order to receive the paperwork relating to the MicroLOAN Express loan.

WORKFORCE DEVELOPMENT TRAINING GRANT The state's main funding source for training is the Workforce Development Program. Through matching grants, this program funds industry-education partnerships.

The program supports both new and current employee training. Training of hard skills, those skills that deal with the technical aspects of the job, is the main goal of this program. Wage & benefit requirements must be met to utilize the program.

The program is designed as a 50/50 match-funding source. Every Workforce Development dollar must be matched with private sector contributions – either financial or in-kind.

NEW SOUTH DAKOTANS INITIATIVE To ensure companies have the workforce they need, the state offers the New South Dakotans Initiative, which provides half the cost of employee recruitment for certain high-need, high-impact industries in South Dakota. Employee recruitment is handled through a contract with Manpower, Inc. and the cost to the business is dependent on the base salaries of the hired employees.

DAKOTA SEEDS In an effort to encourage the creation of new internships and assistantships, The Dakota Seeds program was established to provide matching grants for wages paid to interns and assistantships. The grant will cover up to one-half of the wages for new positions with a maximum of \$2,000 for undergraduate students, \$8,000 for master's degree students, and \$10,000 for PhD students.

The program will fund up to five positions annually and the positions must meet a critical workforce need or help the company grow. The company must create a new position for the internship or assistantship and must pay a minimum hourly wage of \$9.00. The grant is paid on a reimbursement basis.

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Financing Incentives

LOCAL AND REGIONAL INCENTIVES Communities and regions also have a variety of financing incentives available. Some of the financing options available are:

- Local Revolving Loan Fund
- Power Company Incentives
- Regional Revolving Loan Fund
- National, regional and local bank financing

When it comes to the improving your bottom line, South Dakota just makes sense. From our people to our business climate to our financing programs, **SOUTH DAKOTA IS READY TO WORK FOR YOU.**