

Utah Business Incentives

SECTION 11 OF THE B&E PROFILE

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Business Incentives

STATE OF UTAH INCENTIVES

Businesses relocating to or expanding in Utah may be eligible for incentives from the state and/or local municipality. The following is a summary of these programs. The Governor's Office of Economic Development Board (GOED) meets on the second Thursday of each month to review and approve applications for state incentives. Applications submitted by the third Thursday last Friday of the preceding month will be considered.¹

EDTIF (Economic Development Tax Increment Financing)

A post-performance, refundable tax credit for up to 30% of new state revenues (sales taxes, corporate taxes and withholding taxes paid to the state) over the life of the project (typically 5 to 10 years). It is available to companies seeking relocation and expansion of operations to the State of Utah. For additional information please visit the following link: <http://goed.utah.gov/relocate/incentives/edtif/>

Policy

- Max credit of up to 30% over the life of the project
- No more than 50% credit in any one year
- The life of the incentive is typically 5 to 10 years
- In urban communities, new jobs created must pay at least 125% above the county average wage and must be within a specific target industry
- In rural communities, new jobs created must pay at least 100% of the county average wage
- Retail distribution projects are not applicable for this incentive
- Must meet minimum new job benchmarks

Requirements

- Obtain commitment from local government to provide local incentives and establish an Economic Development Zone
- Enter into an incentive agreement with GOED
- Create new high-paying jobs in Utah (at least 50 jobs in urban communities paying at least 125% of county average wage and create new jobs in rural communities paying at least 100% of county average wage)
- Generate new tax revenues
- Significant capital investment
- Significant purchases from Utah vendors/suppliers
- Demonstrate company stability and profitability
- Demonstrate competition with other locations outside of Utah

IAF (Industrial Assistance Fund)

A post-performance grant for the creation of high-paying jobs in the state. For additional information please visit the following link: <http://business.utah.gov/relocate/incentives/iaf/>

Requirements

- Obtain commitment from local government to provide local incentives
- Enter into an incentive agreement with GOED
- Create new high-paying jobs in Utah (paying at least 125% of county average wage and create new jobs in rural communities paying at least 100% of county average wage)

¹ Source: Governor's Office of Economic Development

REDI (Renewable Energy Development Incentive)

A post-performance, refundable tax credit for up to 100% of new state tax revenues (sales taxes, corporate taxes and withholding taxes paid to the state) over the life of the project (typically 5 to 10 years). For additional information please visit the following link: <http://business.utah.gov/relocate/incentives/energy/>

Requirements

- Project consists of renewable energy generation or related manufacturing
- Create new high-paying jobs in Utah (at least 50 jobs in urban communities paying at least 125% of county average wage and create new jobs in rural communities paying at least 100% of county average wage)
- Obtain commitment from local government to provide local incentives
- Demonstrate company stability sustainability
- Demonstrate competition with other locations outside of Utah
- Enter into an incentive agreement with GOED

Recycling Zones

More than twenty Utah communities have been designated by the State of Utah as Recycling Market Development Zones. The zone legislation was established to incent businesses to use recycled materials in their manufacturing processes and create new products for sale. It also benefits businesses that collect, process and distribute recycled materials. For additional information please visit the following link: http://business.utah.gov/relocate/incentives/incentives-recycling_zones/

Possible Tax Credits Include:

- 5% Utah state income tax credit on the cost of machinery and equipment
- 20% Utah state income tax credit of up to \$2,000 on eligible operating expenses
- Technical assistance from state recycling economic development professionals
- Various local incentives including zoning assistance, discounted business license fees, etc.

Research Tax Credits

Companies doing qualified research in Utah may be eligible for a non-refundable income tax credit of up to 5% of qualified research activities and 6% of qualified investments in research machinery and equipment. For additional information please visit the following link: http://incometax.utah.gov/credits_research.php

Custom Fit Training

This program provides specialized training for companies to train their employees. Custom Fit training is administered through the Utah College of Applied Technology centers and state colleges and universities. Training may be conducted at Salt Lake Community College campuses, Applied Technology Centers, or a business location. This incentive subsidizes \$200,000.00 total for professional training and requires a company match. For additional information please visit the following link: <http://www.ucat.edu/business/industry#customfit>

Sales Tax Exemption for Manufacturing Equipment

Manufacturers (SIC 2000-3999) may be eligible for exemption from sales tax on the purchase of new equipment for Utah plant start-ups. Replacement manufacturing equipment purchases may also be eligible for exemption. For additional information please visit the following link: <http://tax.utah.gov/forms/current/tc-721.pdf>

IRB (Industrial Revenue Bonds) / IDB's (Industrial Development Bonds)

Counties and municipalities issue IRB's/IDB's to promote industrial development and manufacturing facilities in the state of Utah. Funds must be used for manufacturing facilities. There is a \$10 million cap per issue and a \$240 million total annual state allocation cap.

RFTP (Rural Fast Track Program)

A post-performance grant available to small companies in rural Utah. The program provides an efficient way for existing small companies to receive incentives for creating jobs in the rural areas of the state and to further promote business and economic development. For additional information please visit the following link:

<http://business.utah.gov/relocate/incentives/rft/>

Requirements

- Project must locate in a Utah county with a population less than 30,000 and average household income less than \$60,000
- Existing business for at least two years
- At least two full-time employees
- Enter into an incentive agreement with GOED
- Demonstrate how the project will promote business and economic development in rural Utah
- Create and retain new high-paying jobs in rural Utah for at least 12 months

Enterprise Zone Tax Credits

An enterprise zone comprises an area identified by local elected and economic development officials and designated by the state. Certain types of businesses locating or expanding in a designated zone may claim state income tax credits. For additional information please click on the following link: http://business.utah.gov/relocate/incentives/enterprise_zones/

Motion Picture Incentive Fund

A post-performance rebate of production dollars spent in the State of Utah. An approved production is eligible for a rebate up to 25% on every dollar spent in the state. To qualify a production must spend a minimum of \$1 million in the state. The incentive is offered as either up to 25% tax credit or a 20% cash rebate for qualifying productions. Productions under \$1 million may be eligible for a 15% cash rebate. For additional information please visit the following link:

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

LOCAL INCENTIVES

Tax Increment Financing

Cities and counties may award incentives to companies locating in Economic Development Areas (EDA), Urban Renewal Areas (URA) or Community Development Areas (CDA). The city or county determines EDA/URA/CDA areas on a local level. Incentive dollars are generated through the creation of new “property tax increment” that a development will generate. When a company constructs a new building, for example, its property tax increment is the result of the assessed value of the building multiplied by the property tax rate. In an EDA or URA, all public entities entitled to property tax agree to rebate their increment back to the new development for a specified period of time to incent the development to occur. In a CDA, public entities must opt-in on a property tax rebate if they see fit. Incentives are awarded as a percentage of the tax increment created by the development.

EDA / URA / CDA Designation

- EDA’s are intended for development on land sites that will result in the value-added creation of jobs. There is no requirement for blight in an EDA and the property can be vacant or partially improved land.
- URA’s are blighted areas that require local assistance to reasonably justify any type of economic renewal.
- CDA’s are intended to undertake any economic or community development purpose of the city, including job growth or retail sales.

Revolving Loan Funds (RLF’s)

Numerous RLF programs have been established in the state to promote economic development within Utah. RLF’s are a gap financing measure used primarily for development and expansion of small businesses. Communities in Utah offer

RLF's to provide access to a flexible source of capital to be used in combination with more conventional sources. Often RLF's act as a bridge between the amount a borrower can obtain through private market funding and the amount needed to start or sustain a business. RLF's issue loans at competitive market rates. Durations and loan amounts vary according to the use of funds. For additional information please visit the following link:

<http://www.governor.utah.gov/budget/Budget/Agency%20Summaries/FY2010/revolving%20loan%20funds.pdf>

Here are links to some of the state's existing RLF programs:

- Salt Lake City RLF: <http://www.slcgov.com/ED/pdfs/smallbusloanapp.pdf>
- Davis County RLF: http://www.co.davis.ut.us/discoverdavis/incentives/revolving_loan_fund.cfm
- Mountainland RLF:
http://www.mountainland.org/index.php?option=com_content&view=article&id=383:revolving-loan-fund&catid=30:econdev&Itemid=74
- Utah's Five County Association of Governments: <http://www.fcaog.state.ut.us/programs/community/business.php>

WORKFORCE DEVELOPMENT INITIATIVES

DWS Small Business Bridge Program

The Small Business Bridge Program (Bridge Program) provides a limited reimbursement opportunity to small businesses that incur training costs from the creation of new jobs. The Bridge Program strives to provide training reimbursement and create new revenue to the Utah Unemployment Compensation Fund (Fund) from the creation of new jobs. The Bridge Program is being funded entirely by penalty and interest payments collected from the Fund and will not require any new funding sources for its operational or administrative costs.

The Bridge Program is being implemented to help small businesses offset the cost of training for newly created jobs by providing direct reimbursement to businesses that are willing to hire additional permanent employees. As small businesses make up approximately 97 percent of the existing employing entities in Utah, it serves that effective public programs will provide assistance to ensure that small businesses continue to grow.

Contact: Ben Hart, Director of Employer Support Initiatives
Utah Department of Workforce Services
140 East 300 South
Salt Lake City, UT 84111
Phone: 801-526-9247
Fax: 801-526-9211
Email: benhart@utah.gov

DWS Project Restart

Project Restart creates an opportunity for individuals with felony backgrounds to reclaim their potential while simultaneously benefiting one of our community's most important resources, local businesses. The process of selecting the right individual starts with evaluating individuals that are currently being monitored by Adult Probation and Parole. After handpicking the right person, the UDOWD Taskforce creates a referral for that person to program Restart, which is managed by DWS.

The program is in essence, an internship. DWS pays the individual a stipend of \$8.00 an hour, for a maximum of 40 hours weekly. The employer does not pay the intern, nor does the employer need to put the intern on their payroll in any way. After the internship has concluded, it is the intent of the program that the individual will have proven their worth and be hired on with full time employment at a wage no less than \$8.00 hourly. As a further incentive, upon successful completion of the internship and upon hiring the intern on to full time work, the employer will receive a \$500 incentive payment.

Contact: Teresa Fulton, Employment Counselor
Roy Employment Center

1951 West 5400 South
Roy, UT 84067
Phone: 801-776-7228
Email: tfulton@utah.gov

DWS Federal Bonding Program

Bonding is a free service provided to employers who are willing to hire hard to place job applicants. Employers can hire without risking the loss of money or property.

- Coverage includes theft, forgery, larceny or embezzlement.
- Coverage is effective the day a new employee begins work. There are no documents for the employer to sign or paperwork to complete.
- The bond has no deductible and reimburses the employer for any loss due to employee theft within the specified six-month period.
- Bonds can be issued to any employer regardless of whether the company has or has not commercially purchased a Fidelity Bond.

Additional information regarding the Federal Bonding Program can be accessed online at: <http://www.bonds4jobs.com/>.

DWS On-the-Job Training

The On-the-Job Training (OJT) Program offers reimbursement to employers who provide customized job training for participants. Employers can be in the public, private or nonprofit sector.

- Employers will be reimbursed for up to 50 percent of the participant wages during training.
- An OJT contract must be negotiated prior to the hire.
- OJT contracts will not exceed six months.

This training program provides the employer with a “custom trained” employee at a reduced cost, and helps the trainee to increase specific job-related skills through work experience in an occupation. This increases the trainee’s potential for future work opportunities and earnings.

- Obtain employees that are trained in the methods of your company, at a reduced cost.
- DWS will screen applicants for you, using the criteria you provide, and refer potential employees to you for your final interview and selection.
- The reimbursement will help to offset the expenses incurred during new employee training.

For additional information and to sign a contract to participate, contact the nearest DWS Employment Center. Locations are available at www.jobs.utah.gov/regions/ec.html.

DWS Work Experience and Paid Internships

Work Experience and Paid Internships are intended to assist participating employers with temporary work needs, while giving trainees hands-on experience in a career setting. The Department of Workforce Services (DWS) administers Work Experience and Paid Internships free of charge to employers. We will develop a training outline based on your needs and the needs of the trainee. As an employer, you will be responsible for helping the trainee upgrade his/her skills according to the agreed upon training outline.

Work Experience is intended to give trainees an opportunity to acquire the general skills, knowledge, and work habits necessary to obtain employment. Paid Internships are intended to give trainees hands-on experience to gain occupational skills in a career setting.

- You will have the opportunity to train potential employees exactly to your specifications.
- DWS will provide medical Workers Compensation coverage to trainees injured while participating at your worksite.
- You are encouraged to evaluate the arrangement at the end of the training experience to determine whether a more permanent placement at your business place is appropriate.

For additional information and to sign a contract to participate, contact the nearest DWS Employment Center. Locations are available at www.jobs.utah.gov/regions/ec.html.

DWS Federal Work Opportunity Tax Credit (WOTC)

WOTC is designed to help people in need of employment to gain on-the-job experience and move towards economic self-sufficiency. As an employer, WOTC can benefit you by reducing your federal tax liability when you hire from targeted groups of job seekers.

Annual tax credits can be as much as:

- \$2,400 for each new adult hire
- \$1,200 for each new summer youth hire
- \$4,800 for each new disabled veteran hire
- \$9,000 for each new long-term family assistance recipient hired over a two-year period

For more information on forms, the certification process, and State WOTC Unit contact information, please visit the web site at <http://jobs.utah.gov/employer/business/wotc.html>.

OTHER AVAILABLE INCENTIVES

Additional Financing Options

For additional information on financing options in Utah please visit the following link for our Business Financing Options: <http://www.edcutah.org/incentivesAndFinancing.php>

Foreign Trade Zone (FTZ) Reactivated

In March 2009, the U.S. Department of Commerce approved Salt Lake City's application to reactivate the state's FTZ. After 13 years of inactivity, the newly reactivated FTZ allows Utah to offer businesses great advantages to compete on a global scale.

Freeport Law

Goods used by retailers, wholesalers or manufacturers for processing and sale in Utah are exempt from ad valorem taxes.

Employee Recruiting / Screening / Training Assistance

The Utah Department of Workforce Services (DWS) provides employment and support services to help improve the economic opportunities in the state. The DWS Electronic Job Board is a qualified worker's database that allows employers to filter applicants for those that have specific abilities, trades, educational attainment and other such criteria. The Electronic Job Board is connected to the American Job Bank, which enables open positions to be posted and viewed nationwide. DWS will also set-up in-house recruitment efforts at the business location and provide office space at various locations for conducting interviews. For additional information please visit the following link:

<http://jobs.utah.gov/employer/dwsdefault.asp>

Utah Business Resource List

For additional information on business resources please visit the following link for our Business Resource List: http://www.edcutah.org/documents/UtahBusinessResourcesList_080609_000.pdf

Economic Development Corporation of Utah (EDCUtah)

The Economic Development Corporation of Utah (EDCUtah) can provide relocation assistance through its diverse investor base. Please contact EDCUtah for more information: <http://www.edcutah.org/contactUs.php>