

Incentives

Economic Development Tax Increment Financing (EDTIF)

A post-performance refundable tax credit for up to 30% of new state tax revenues (includes state corporate, sales and withholding taxes) over the life of the project (typically 5 – 10 years).

Discretionary Grants from the Industrial Assistance Fund (IAF).

Companies expanding or relocating in Utah may apply for incentive grants from the State of Utah's Industrial Assistance Fund (IAF). IAF is a discretionary fund allocated by the state legislature to help encourage business growth in Utah.

Requirements:

- Create at least 50 new jobs
- Pay at least 125% of urban county average wage or 100% of rural county average wage
- Demonstrate company stability and profitability
- Secure commitment from local community to provide a local incentive
- Demonstrate competition with other locations
- Enter into an incentive agreement with GOED that specifies performance milestones

Recycling Market Development Zones

Commercial and industrial areas in Tooele County have been designated by the State of Utah as Recycling Market Development Zones. Businesses that collect, process, distribute, or use recycled materials in their manufacturing process can earn economic incentives by locating in these zones or by applying for the creation of a new zone.

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 business or individuals that collect, process, distribute recycled materials. Composting is considered to be eligible recycling operation.

Eligible recycling businesses that are located in designated Recycling Market Development Zones qualify for:

- * 5% Utah state income tax credit on the cost of machinery and equipment
- * 20% Utah state income tax credit (up to \$2,000) on eligible operating expenses
- * Technical assistance from state recycling economic development professionals
- * Various local incentives

Research Tax Credits

Companies doing qualified research in Utah are eligible for income tax credits of up to 6 percent of qualified research expenses.

Sales Tax Exemption for Manufacturing Equipment

Manufacturers (SIC 2000-3999) are exempt from sales tax on the purchase of new equipment for Utah plant start-up. Replacement manufacturing equipment purchases are also exempt from sales tax.

Tax Increment Financing

The Tooele County Redevelopment Agency may award incentives to companies locating in unincorporated Economic Development Area or Community Development Area districts.

Private Activity Bond

The Private Activity Bond (PAB) is Utah's tax-exempt bonding authority creating a lower cost, long-term source of capital under the Federal Tax Act of 1986. The Federal Government allocates over \$30.8 billion per year to states on a per capita basis, with Utah receiving \$273,775,000 in 2010. Each state establishes its usage priorities by statute.

Small Issue Account

- Volume Cap Amount: \$65,706,000
- Percent of Total Volume Cap: 24%
- Users: Multi-family Affordable Housing (apartments) and Manufacturing Facilities (credit worthy with higher paying jobs; to build or buy a new building, equipment, and/or land)

Exempt Facility Account

- Volume Cap Amount: \$2,737,750
- Percent of Total Volume Cap: 1%
- Users: Pollution and Waste Control Projects

The Small Issue Account attempts to allocate this "Volume Cap" to meet two critical state needs: build essential multi-family housing and create high paying jobs that will support a family.

Through use of Multi-family Housing Bonds and Manufacturing Facility Bonds (i.e. Industrial Development Bonds or IDBs), long-term capital is made available at 100 to 300 basis points (1 to 3 percentage points) less than market rates for periods of 20 to 40 years.

Why Use Tax-Exempt Bonds?

The owner of a tax-exempt bond does not pay federal income tax on the interest received on such bonds; consequently, tax-exempt bonds bear lower interest rates than bank loans or taxable bonds. This lower borrowing cost is passed on directly to the borrowing entity under the bonding program.

Why Should Manufacturers Use Tax-Exempt Bonds?

State and federal laws allow a manufacturing company to ask a government entity, a city or county, to use their name and tax-exempt financing status to issue tax-exempt bonds; the same way cities and counties finance themselves; however, instead of using the proceeds for a public purpose or a public activity (streets, buildings, schools, etc.) the bonds are used to benefit a private user like a manufacturer. Hence the bonds are called " private activity bonds."

The tax-exempt status of the bonds is obtained by having a government entity issue the bonds. Securities that a government issues, assuming they meet all the tax requirements, are exempt from state and federal income taxes. Private users of qualified private activity bonds benefit because the interest rates of tax-exempt bonds are lower than the rates of taxable bonds.

Although private activity bonds are issued by governmental entities, there is no guarantee, debt, liability, obligation or pledge of faith by the county. Essentially, the governmental entity lends its name as the issuer enabling the manufacturing entity to realize the tax-exempt interest rate. They are willing to do this because the Private Activity Bonds must meet a public purpose or create a public benefit. For example, the creation of new jobs through the construction or operation of a new manufacturing facility.

Tax-exempt bonding provides manufacturers in Utah with an alternative, low-cost, source of funds to finance capital expenditures, which, in turn creates higher paying jobs and other public benefits to the state's economic development.

Volume cap allocations require qualified bond counsel and an underwriter that result in tax-exempt bonds. Volume Cap is allocated by the Private Activity Bond Review Board in 90-day certificates at the regularly scheduled meetings. Applications are submitted at least five weeks prior to the board meetings.