

# Utah Business Incentives

SECTION 11 OF THE B&E PROFILE

09



# 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 Board of the Governor's Office of Economic Development (GOED) meets on the second Thursday third Friday 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.<sup>1</sup>

### 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

#### *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

### 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://goed.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 (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)
- Demonstrate company stability and profitability
- Demonstrate competition with other locations outside of Utah

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<sup>1</sup> 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://goed.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://goed.utah.gov/relocate/incentives/incentives-recycling\\_zones/](http://goed.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](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 up to \$250 per trainee for professional training and requires a company match. For additional information please visit the following link: <http://www.ucat.edu/aboutcustomfit.html>

### **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 high-paying 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://goed.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://goed.utah.gov/relocate/incentives/enterprise\\_zones/](http://goed.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 of 20% 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 a 20% 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](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](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/dep/community/business.php>

## **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](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>