

ILLINOIS INCENTIVE PROGRAMS

The moderate tax rates and broad tax incentives of Illinois' tax structure are designed to encourage business growth. Recognizing the importance of our existing employers to the state's overall economic well-being, Illinois' tax incentives are specifically designed to apply equally to new businesses and existing businesses

Illinois EDGE Program

The Illinois EDGE (Economic Development for a Growing Economy) offers tax credits that allow eligible firms to reduce business costs. Interested firms submit written applications to Department of Commerce and Economic Opportunity (DCEO) for consideration.

Eligibility is based on several criteria:

- The development project must add to the export potential of Illinois; e.g., manufacturing or services exported out of state would be eligible, but not retail trade and personal services.
- The project must be an expansion of an existing operation or a new location. Plant relocations within Illinois are eligible for consideration only if expansion at the current location is not viable.
- Each project must commit to make a capital investment in the state of at least \$5 million and must create a minimum of 25 new full-time jobs (excluding recalls, transfers, etc.). DCEO may agree to alternative thresholds if the project is designed to bring significant benefits to the state.
- Recent legislation has created a new small business component to the EDGE program for companies with 100 or fewer employees. In order to be eligible for EDGE credits, the small business must make a capital investment of at least \$1 million and create a minimum of five full-time jobs.
- That "but for" the competitive credit, the project would not occur in Illinois. Illinois costs (such as utilities, property taxes, employee-based taxes) must exceed those of another state, or if another state offers incentives that Illinois must match to remain in consideration for the project.
- A cost analysis or econometric analysis of the project must be completed to assess the cost differential between the Illinois sites being considered and other competing locations.

Determining the Level of the Tax Credit: The amount of the tax credit award is determined on a case-by-case basis. The credit is calculated based on an agreed-to percentage of the personal income tax withheld from the salaries of employees associated with the project. The individual income tax rate in Illinois is three percent.

Benefits to the Company: As a tax credit, the EDGE program allows a firm to reduce the costs of doing business in Illinois when compared with similar costs in other states where it could have located its operation.

- The credits may be available to the firm for up to a total of 10 years for each project.
- While each annual tax credit amount cannot be larger than the firm's state income tax liability (the income tax credits would not be refundable), the credit may be carried forward for up to five years.
- Each firm receiving competitive credits must maintain the jobs created and/or retained and the capital investment during the period in which it claims the credits.

Enterprise Zone Program

The Illinois Enterprise Zone Act took effect in 1982. Enterprise Zones offer a number of state and local tax incentives to businesses that make investments to create or retain jobs in any of the 95 certified zones located in communities throughout the state.

State Incentives: Businesses who choose to locate or expand in one of the designated areas may be eligible for the following incentives:

- A sales tax exemption on building materials
- A 6.25% sales tax exemption on purchase of personal property used in manufacturing or assembly process or in the operation of a pollution control facility
Eligibility: \$5m investment in property and 200 new jobs or;
\$40m investment and retaining 2,000 jobs or;
\$40m investment causing the retention of at least 90% of jobs existing the date certified to receive the exemption
- State utility tax exemption on natural gas, electricity, the Illinois Commerce Commission's administrative charge and telecommunication excise tax
Eligibility: \$5m investment in property and create 200 new jobs; or
\$20m investment and retain 1,000 jobs or;
\$175m investment creating 150 jobs
- An investment tax credit of 0.5% for investment in qualified property (machinery, equipment, and building).
- A \$500 credit on Illinois income taxes for each job created within a Zone.

Local incentives: In addition to the state incentives offered by the program, each zone offers distinctive local incentives to enhance business development projects. Local incentives may include property tax abatements, waivers of business licensing and permit fees, streamlined building code and zoning requirements, and special local financing programs.

High Impact Business Program

The High Impact Business (HIB) program was developed to encourage large-scale development activities by providing tax incentives to companies that propose to make a substantial capital investment and create or retain above average number of jobs. In order to qualify, the company or business must invest at least \$12 million in qualified property and create 500 jobs, or invest \$30 million in qualified property and retain at least 1,500 jobs. Specific benefits include investment tax credits, a state sales tax exemption on building materials, an exemption from state taxes on utilities, and a state sales tax exception on personal property used or consumed in the manufacturing or in the operation of a pollution control facility. The program has been expanded to include qualified new electric generating facility, production operations at a new coal mine or, a new or upgraded transmission facility that supports the creation of 150 Illinois coal-mining jobs, or a newly constructed gasification facility as a "Coal/Energy High Impact Business". Businesses located in an Enterprise Zone are not eligible for this program.

A designated High Impact Business located in a foreign trade zone or sub-zone is eligible for additional incentives that include an income tax credit for a minimum of five new eligible hires, an exemption from municipal tax on utilities, an exemption from the telecommunications excise tax, and an income tax deduction for financial institutions receiving interest from loans secured by property eligible for the HIB Investment Tax Credit.

Illinois Employer Training Investment Program

The Illinois ETIP (Employer Training Investment Program) training grants are designed for businesses operating or locating in Illinois in conjunction with planned permanent expansion, location or retention activities. Priority is given to manufacturing businesses that promote high skill, high wage jobs for emerging and high technology occupations. The employee skill requirements and training needs are established by the employer and may include basic, technical and managerial skill sets. Some activities include:

- training of full-time employees;
- job-linked training programs in response to new or changing technologies; processes, product lines, machinery or equipment being introduced in the workplace;
- training necessary to implement total quality management or continuous improvement systems in the workplace;
- training employees in skills necessary to enable the company to establish, maintain or expand into new export markets;
- basic and/or remedial training of employees as a prerequisite for other vocational or technical skills training;
- training related to regulatory compliance issues mandated for the workplace.

Grants for employee training will allow for reimbursement or payment on the terms and conditions agreed to between the grantee and the Department through the execution of a Notice of Grant Agreement. Allowable costs may include:

- internal trainer costs, including wages and fringe benefits,
- outside vendor and/or tuition costs,
- trainee wages and fringe benefits,
- training materials
- other usual and customary training costs such as rent or lease of training equipment and/or facilities
- audit costs for an of the grant funds are sometimes allowable (Please refer to Project Budget Summary for details.)
- individual or one-on-one training may be eligible for reimbursement under the ETIP Incentive Program if applicant provides sufficient justification that group- or classroom-based training is unsuitable.

Business Development Public Infrastructure Program

The Business Development Public Infrastructure Program (BDPIP) provides low interest financing to units of local government for public improvements (e.g., water and sewer extensions) on behalf of businesses undertaking expansion or relocation projects that meet the program criteria and demonstrate great potential for creating and retaining jobs. The infrastructure improvements must be made on public property and must directly result in the creation or retention of private-sector jobs. The local government must demonstrate a clear need for the financial assistance to undertake the improvements. Amount of funding available is up to \$10,000 per newly created job.

Large Business Development Program

The Large Business Development program (LBDP) program is designed to provide grants to businesses undertaking a major expansion or relocation project that will result in substantial private investment and the creation and/or retention of a large number of Illinois jobs. Funds available through the program may be used by large businesses for bondable business activities, including financing the purchase of land or buildings, building construction or renovation, and certain types of machinery and equipment. Grant eligibility and amounts are determined by the amount of investment and job creation or retention involved.



Tax Increment Financing

Tax Increment Financing (TIF) is a financing technique used by Illinois municipalities to carry out development activities on a local basis. This program allows a city to capture the increase or growth in local property taxes resulting from a development project, such as the addition of Nice-Pak Products' new manufacturing facility. The property tax increase or growth (the "tax increment") is captured and used by the municipality to help pay for certain eligible public or other costs associated with the project.

TIF districts are locally initiated and administered, and require no federal approval. Development projects have borrowed funds through bond financing to pay the upfront costs associated with certain aspects of the development project. The bond is paid back through reimbursement from the TIF.

Some eligible items in a TIF include:

- Property acquisition
- Rehabilitation or renovation of existing public or private buildings
- Construction of public works or improvements
- Job retraining programs
- Relocation
- Financing costs, including interest assistance
- Studies, surveys and plans
- Professional services, such as architectural, engineering, legal, property marketing and financial planning
- Demolition and site preparation

The St. Louis Regional Chamber & Growth Association (RCGA) is the chamber of commerce and economic development organization for Greater St. Louis, which includes 16 counties in Missouri and Illinois. RCGA markets the St. Louis region nationally and internationally to attract targeted industries to the area. It further spurs economic development by aiding the expansion and startup of companies within the region.

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