

LEGISLATIVE AND INCENTIVE UPDATE

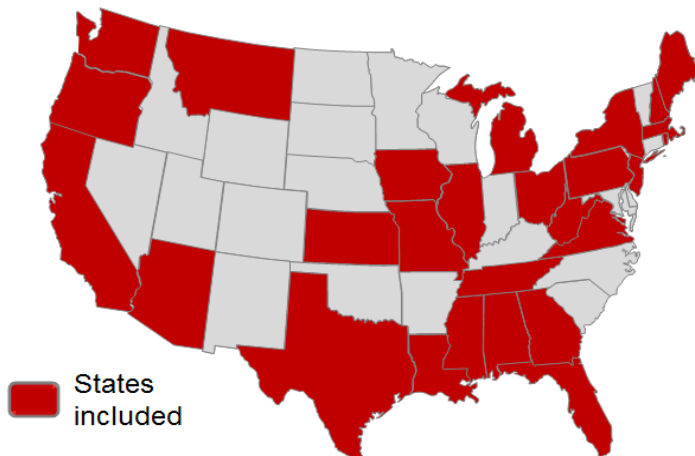
October 2011

ELECTIONS TO WATCH



Kentucky (Governor)
 Louisiana (Governor, Legislature)
 Mississippi (Governor, Legislature)
 New Jersey (Legislature)
 Virginia (Legislature)

As the remainder of States completed their 2011 Legislative Cycles for the year, Legislative Special Sessions, coupled with new Federal dollars geared to assist small businesses, have added additional public/private partnership opportunities over the last few months. The following States outlined below have either significant public incentive legislation proposed or funding has been approved.



Alabama

The U.S. Department of Treasury awarded \$31,301,498 under the State Small Business Credit Initiative (SSBCI) to Alabama. The Alabama Department of Economic and Community Affairs will use these funds to launch three new small business lending programs: the Alabama Capital Access Program, the Alabama Loan Guarantee Program, and the Alabama Loan Participation Program.

Arizona

In a special session, the Arizona legislature passed a new competitiveness package promoting incentives with a focus on renewable energy companies. The incentives include:

- Up to 10% of capital investments as a refundable income tax credit
- Arizona Competes deal closing fund of \$25,000,000
- Income tax credits up to \$9,000 for each quality new job
- Up to \$1.5 million in reimbursable grants to train employees
- Up to 34% Research and Development (R&D) tax credit
- Increase in personal property exemptions by 15%
- Significant business tax reductions including lowering the state income tax from 6.97% to 4.9%

California

Governor Brown and the Assembly reached a deal on September 8, 2011 in support of the California Jobs First Plan. The plan includes:

- The Mandatory Single Sales Factor (SSF) to all businesses in California
- Reduction in the tax rate by a half percent for the first \$50,000 in taxable income for most corporations (from 8.84 percent to 8.34 percent). Estimated tax relief: \$18 million
- A sales tax exemption on manufacturing—approximately 4 percent reduction for startups and 1 percent reduction for established businesses. Estimated tax relief: \$299 million

District of Columbia

The US Department of Treasury awarded \$13,200,000 under the State Small Business Credit Initiative (SSBCI) to the District. Washington, D.C. intends to use this allocation to support a new Capital Access Program.

Florida

Under the State Small Business Credit Initiative (SSMCI), the Department of Economic Opportunity Division of Strategic Business Development will partner with Enterprise Florida, Inc. to launch the Venture Capital Program and the Florida Small Business Loan Support Program. Additionally, the Office of Tourism Trade and Economic Development will launch the new Florida Capital Access Program to spur small business lending by private sector lenders. The US Department of Treasury awarded the largest SSMCI allocation to Florida of \$97,700,000.

Georgia

A special session of the legislature took place in August, which included a resolution for a temporary tax exemption on gasoline and aviation fuel.

Illinois

Governor Quinn signed Senate Bill 107 creating a new technology incentive in the state. The new law allows the state to invest up to 2 percent of its portfolio in venture capital firms. This allows the state to invest an estimated \$150 million into venture capital funds, generating an estimated \$300 million of venture capital investment into Illinois companies. Companies may use the funding for activities such as research and development, marketing new products and workforce expansion.

Iowa

Funding now available through the State Small Business Credit Initiative (SSBCI) will support the launch of the Iowa Capital Access Program, and to enhance two existing programs: the Iowa Demonstration Fund Program, and the Iowa Small Business Loan Program. The total allocation for Iowa is \$13,200,000.

Kansas

Governor Brownback signed an executive order on July 27, 2011 establishing the Governor's Council of Economic Advisors replacing Kansas Inc, an economic development agency created in 1986. The council will have three main responsibilities:

- Coordinate strategic planning and economic development resources.
- Evaluate state policies and agencies performances.
- Conduct research on topics such as Kansas' basic industries, tax competitiveness, and regulatory structure.

Louisiana

On July 11, 2011, Governor Jindal signed The Digital Media Tax Credit and Technology Commercialization Tax Credit programs. The Digital Media tax credit program offers tax credits of 25 percent on qualified interactive software production in entertainment, healthcare, engineering and other sectors. Payroll expenses for Louisiana residents engaged in that work can be eligible for a 35 percent credit. The Technology Commercialization program offers tax credits of 40 percent on up to \$250,000 a year in research tied to Louisiana higher education campuses. Those research companies may apply for a 6 percent payroll rebate on qualified jobs.

The US Department of Treasury awarded \$13,200,000 under the State Small Business Credit Initiative (SSBCI) to Louisiana. The Department of Economic Development will use these funds to fund two existing programs: the Louisiana Small Business Loan Guarantee Program and the Louisiana Seed Capital Program.

Maine

The U.S. Department of Treasury awarded \$13,200,000 under the State Small Business Credit Initiative (SSBCI) to Maine. The Maine Department of Economic and Community Development, in cooperation with the Finance Authority of Maine (FAME), will use these funds to support the Economic Recovery Loan Program; the Regional Economic Development Revolving Loan Program; and the Small Enterprise Growth Fund (SEGF).

Massachusetts

The U.S. Department of Treasury awarded \$22,000,000 in new funding through the State Small Business Credit Initiative (SSBCI). Funds will be available through the Massachusetts Growth Capital Corporation (MGCC).

Missouri

The Missouri Senate passed a sweeping revision to the state's tax credit programs on September 14, 2011 and is still awaiting house approval. The bill would authorize new tax breaks for computer data centers as well as new incentives to bring amateur sporting tournaments to Missouri. It also grants up to \$60 million of tax credits for companies that coordinate exports through Lambert-St. Louis International Airport.

Montana

A new loan participation program will be created with the \$12,600,000 in Federal funds awarded under the State Small Business Credit Initiative (SSBCI).

Michigan

The Michigan Economic Development Corporation (MEDC) announced two new incentive programs. The Michigan Business Development Program which will provide grants, loans or other economic assistance of up to \$10 million to businesses that are creating qualified new jobs and making new investments. The Michigan Community Revitalization Program which will provide grants, loans, or other economic assistance of up to \$10 million to projects that will revitalize regional urban areas. Both programs were effective on October 1, 2011.

Mississippi

The U.S. Department of Treasury awarded \$13,200,000 under the State Small Business Credit Initiative (SSBCI) to Mississippi. The Mississippi Development Authority will use these funds to establish the Mississippi Small Business Loan Guarantee Program, a new loan guarantee program for the state.

New Hampshire

Under the Federal Government State Small Business Credit Initiative (SSBCI), \$13,000,000 will support small business lending programs through the state's Business Finance Authority.

New Jersey

Governor Christie announced the Making New Jersey a Home for Growth Initiative. The initiative includes:

- Increasing the Research and Development (R&D) Tax Credit from 50% to 100%
- Increases the Technology Business Tax Certificate Transfer Program from \$30 to \$60 million
- A 25% reduction in the minimum tax for S-Corporations
- An option for taxpayers to carry forward losses from certain business-related categories of gross incomes for up to two years
- A change in the corporate business tax formula from a three-factor formula to a single sales factor formula
- Extended the moratorium on the imposition of fees on non-residential construction projects until July 1, 2013 (2.5% development fee)
- Increasing the Urban Hub program credit for residential projects from 20% to 35% of eligible costs over 10 years

New York

\$55,400,000 was awarded to help small business growth and recovery under the State Small Business Credit Initiative (SSBCI).- Governor Cuomo also announced a restructuring of the in-state economic development funding process now called the Consolidated Funding Application (CFA).

Ohio

The state of Ohio was awarded \$55,100,000 in small business assistance under the Federal State Small Business Credit Initiative (SSBCI). The Department of Development will use these funds to support an existing Capital Access Program and two new programs, the Small Business Collateral Enhancement Program, and the Targeted Investment Program.

Oregon

The U.S. Department of Treasury awarded \$16,500,000 under the State Small Business Credit Initiative (SSBCI) to Oregon. The Oregon Business Development Department will use the funds to support the Oregon Capital Access Program, a Credit Enhancement Fund, a loan guarantee program, and the existing Oregon Business Development Fund.

Pennsylvania

The Commonwealth Financing Authority (CFA) Board of Directors approved a motion to begin accepting applications for the Business in Our Sites and PennWorks Programs. The application period will remain open until October 31, 2011.

Rhode Island

Governor Chafee announced \$6,500,000 in federal American Recovery and Reinvestment Act (ARRA) funds will be used to create the Business Energy Assistance Program (BEAP) to be administered through the Rhode Island Economic Development Corporation (RIEDC).

Tennessee

The U.S. Department of Treasury awarded \$55,400,000 under the State Small Business Credit Initiative (SSBCI) to Tennessee. Department of Economic and Community Development will use these funds to establish a new venture capital program called the INCITE Fund.

Texas

Texas was awarded \$46,600,000 under the State Small Business Credit Initiative (SSBCI) by the U.S. Department of Treasury. The Texas Department of Agriculture will use these funds to launch two new programs: the Texas Small Business Venture Capital program and the Texas Loan Guarantee program.

Virginia

The Commonwealth of Virginia was awarded \$18,000,000 under the State Small Business Credit Initiative (SSBCI) through the U.S. Department of Treasury. The Virginia Small Business Financing Authority will use these funds to enhance the existing Virginia Capital Access Program; and the existing Economic Development Loan Fund.

Washington

Governor Gregoire announced new appointments to the Washington Economic Development Commission on August 8, 2011 based on a new law that which increases the private sector membership to 15.

West Virginia

Governor Tomblin announced that the corporate net income tax rate will decrease. The rate is scheduled to fall from 8.5 to 7.75 beginning January 1, 2012 and to 7 percent in 2013 and to 6.5 percent in 2014 if reserves are at or above 10 percent of the General Revenue.