

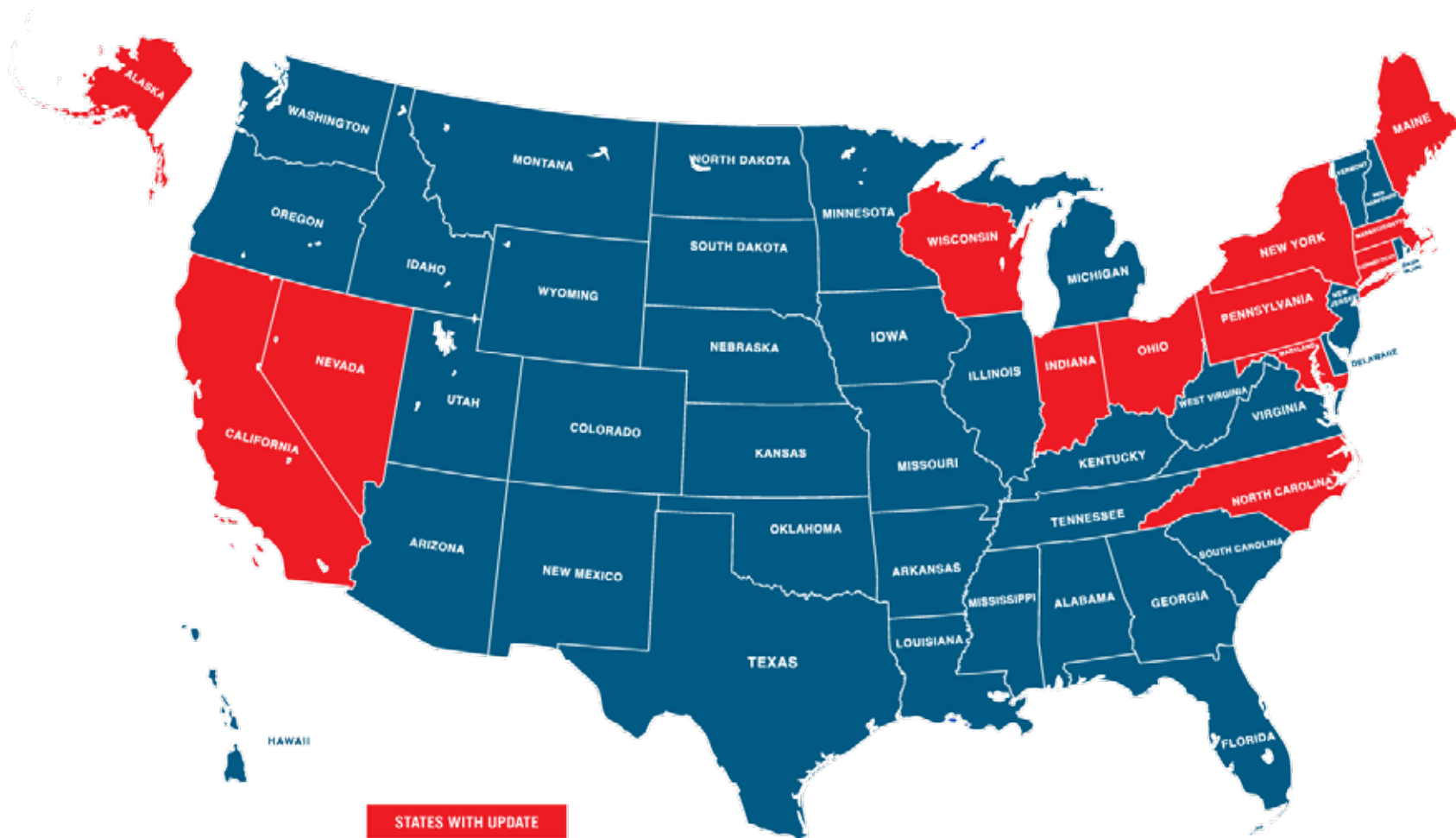
LEGISLATIVE AND INCENTIVE UPDATE | FALL 2014



HICKEY & ASSOCIATES
SITE SELECTION, INCENTIVES AND WORKFORCE SOLUTIONS

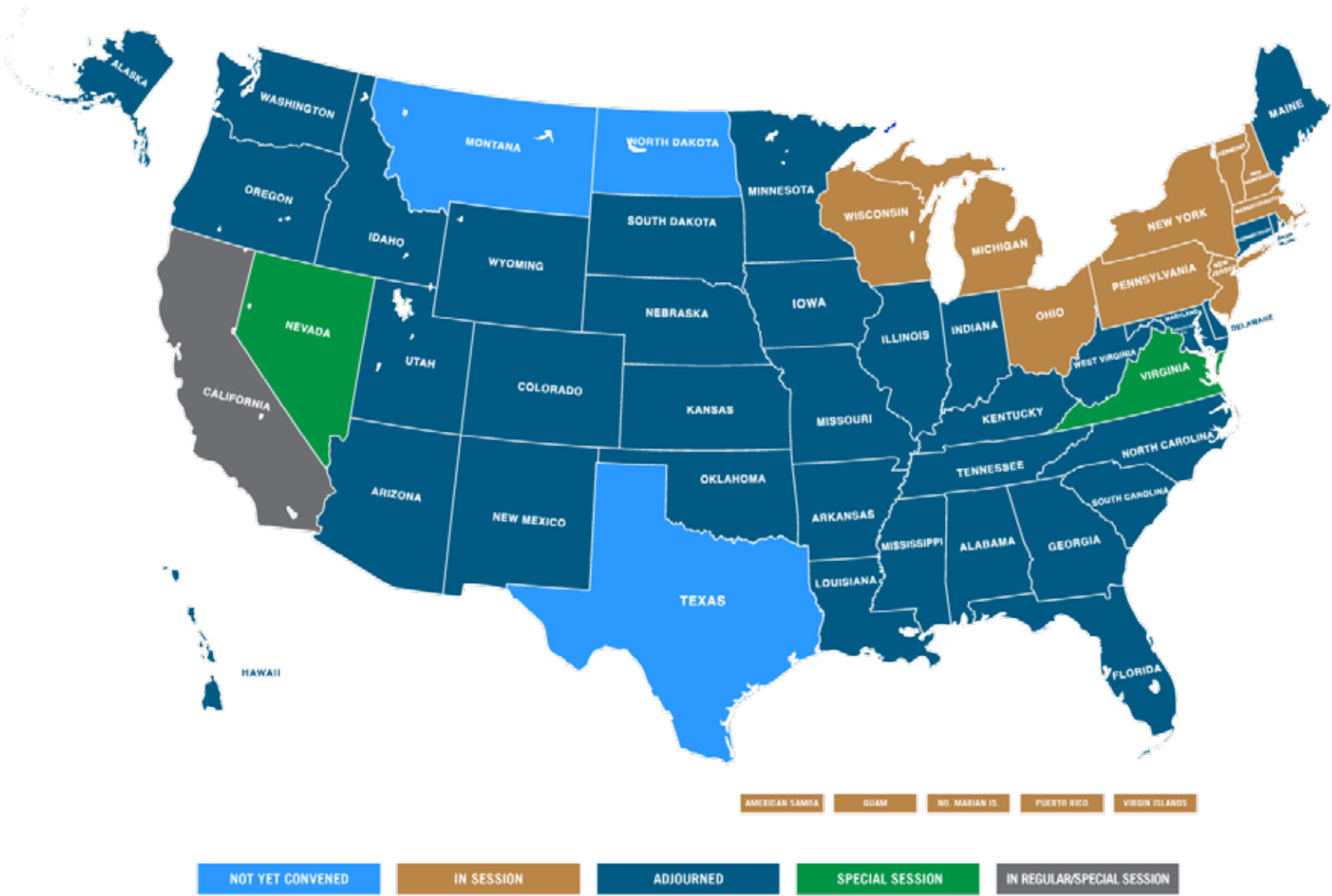


LEGISLATIVE AND INCENTIVE UPDATE - OCTOBER 2014



The H&A Legislative and Incentive Update – Fall 2014 provides a national recap of the state legislative activities effecting business incentives and economic development during the 3rd quarter of 2014.

2014 LEGISLATIVE ACTIVITY



ALASKA

A referendum on the primary ballot to revoke tax cuts in Alaska for the oil and gas industries failed by a slim margin. Oil and gas production tax revenues to the state will decrease over the next two years to \$2.1 billion in 2014 and \$1.7 billion in 2015. Tax revenues were reported at \$4 billion in 2013.

CALIFORNIA



Gov. Jerry Brown signed into law legislation increasing funding for California's Film and TV Tax Credit Program from \$100 million to \$330 million. This new legislation will result in the end of the current lottery system which regulates who gets the incentives. Applicants will be classified according to the total new jobs created and overall positive economic impact for the state.

California announced that areas in Fresno, Merced, and Riverside have been designated by the Governor's Office of Business and Economic Development (GO-Biz) as pilot areas for purposes of the New Employment Credit, a hiring credit for businesses that operate in areas of the state with the highest unemployment and poverty.

CONNECTICUT

On May 8, 2014, Connecticut approved a new incentive program allowing taxpayers

to exchange accumulated research and development credits for cash payments from the state. Qualifying companies must make certain capital investments to qualify.

INDIANA

Over the coming years, Indiana will continue to reduce the state's corporate income tax rate from 6.5% to 4.9%. The reduction will be done incrementally with a 0.25% reduction annually from 2016 to 2020, with a final rate reduction equal to 0.35% in 2021.

MAINE

Effective May 1, 2014, legislation has been enacted to restore the original program values for Pine Tree Development Zones (PTDZ), thus allowing a 100% credit for years 1-5, and a 50% credit for years 6-10.

Maine has also eliminated the "super credit" for substantial research and development expansion. The maximum research and development tax credit also decreases to 25% from 50%, and taxpayers may carry research and development credits forward for 10 years. The changes apply to tax years beginning on or after January 1, 2014.

MARYLAND

Beginning July 1, 2015, qualifying institutions may begin applying for Regional Institution Strategic Enterprise (RISE) zone designation. Qualifying businesses in a RISE zone may be eligible for a property tax credit, an income tax credit for increased employment, and receive priority consideration for financial assistance.

MASSACHUSETTS

With bipartisan support, Gov. Deval Patrick passed an \$80 million economic development

bill targeted for the training needs of small businesses. The new law is set to provide training in the state's high-growth industries through loans and grants. The program is intended to support business communities outside of the traditional business thoroughfares of Boston and Cambridge.

NEVADA



The Nevada Assembly passed the Energy Rate Rider Program, which is intended to reduce business utility bills. The legislation reduces the cost of up to 25 megawatts of electricity and extends the period for the reduced rate from five to ten years.

Gov. Brian Sandoval signed into law an incentive package to finalize a deal to bring Tesla Motors' battery factory into Nevada. The package of tax credits and other incentives is worth up to \$1.3 billion. Tesla is expected to bring in over 20,000 jobs and \$100 billion to Nevada's economy over the next 20 years.

As a result of the Tesla Motors incentive package, a number of other programs have been affected. The Nevada Transferable Tax Credit for Film and other Productions, which began January 1, 2014, has seen its funding decreased from \$80 million over 4 years to \$10 million. To date, the program already has approximately \$6 million allocated in

2014. Only \$4 million remains for the numerous productions currently preparing application submissions. There is hope that Nevada Senate Democrats will pursue additional funds in 2015, yet nothing is certain at this point in time.

The insurance industry will also be directly hit by statewide changes due to the incentive package. A tax break worth approximately \$25 million per year for insurance companies locating their home offices in Nevada will be reduced to \$5 million annually beginning in 2016, and then ultimately eliminated in 2021.

NEW YORK

Under recently passed New York legislation, a new tax law section provides that if a taxpayer is convicted of certain penal law offenses concerning corruption, bribery, and misconduct, then the taxpayer will not be eligible for any corporate or personal tax credits. A taxpayer under this law may also be defined as a shareholder of an S corporation or a partner in a partnership.

The Start-Up NY program is now available for companies growing jobs in an academic setting. If operating in one of the 300 designated zones, qualifying business may be able to operate free of state taxes for 10 years. There are now over fifty participating SUNY schools and select private colleges.

NORTH CAROLINA

North Carolina has eliminated its programs for awarding tax credits to film production. The N.C. General Assembly is replacing the tax incentive package with a \$10 million competitive grant program starting January 1, 2015. The cap per production would be \$5 million.

North Carolina signed legislation that replaced

its net economic loss deduction to more closely resemble the federal net operating loss deduction. Companies may carry losses forward up to 15 years, but may not carry them back. These changes, among others, are effective for tax years beginning on or after January 1, 2015.

OHIO

Beginning July 1, 2014, new legislation will allow refundable job creation and job retention credits to be used against the Petroleum Activity Tax (PAT), and allows nonrefundable job retention credits, which cannot be used against the Commercial Activity Tax (CAT), to be applied against the PAT.

The state has also announced the third round of funding for the Ohio Incumbent Workforce Training Voucher Program, making \$29.4 million available for Fiscal Year 2015.

PENNSYLVANIA



Pennsylvania has proposed legislation known as the Tax Exemption and Mixed-Use Incentive Program, which would provide a tax abatement for refurbishing properties. The act would authorize local taxing authorities to provide tax exemption incentives for certain deteriorated industrial, commercial, business and residential properties,

and for new construction in deteriorated areas of economically depressed communities.

WISCONSIN

Gov. Scott Walker has signed legislation that now allows the non-cash transfer of Economic Development Tax Credits for businesses meeting specific requirements. To be eligible for a transfer, the business must deliver the request on its initial application for the program, which must also identify the recipient of the transfer.

About Hickey and Associates

Hickey & Associates is a global site selection, public incentive advisory and workforce solutions company. The firm specializes in market location, site selection and public/private partnerships with active projects in the Americas, Asia, Europe and Africa. Utilizing state-of-the-art tools and techniques, H&A assists businesses in determining the best location to expand, relocate or consolidate anywhere in the world. Our experts are based in key strategic markets to maximize your business goals with enhanced local knowledge and client service. For nearly 30 years, H&A has been assisting companies to locate, finance and operate their business.

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