Hickey & Associates (H&A) is a global leader in location strategy, economic development incentive advisory, and workforce analytics with active projects in the Americas, Asia, Europe, Australia, 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.

Over the past three decades, H&A’s incentive advisory team has been a global leader in identifying, negotiating, capturing, and administering economic development incentives for their corporate clients. Offering experience in every major sector, H&A has developed proprietary models, innovative tools, and high-tech resources that streamline the process and delivery, ultimately ensuring clients receive the most value with limited risk.

Our site selection and economic development incentives experts are based in key strategic markets to maximize business goals with enhanced local knowledge and client service. With offices across the U.S., H&A ensures our service is always aligned with each unique local environment. Internationally, our locations in Mexico City, São Paulo, London, Shanghai, Hong Kong, Singapore, and Sydney ensure global site considerations are well covered.
Introduction 4
State Legislative & Incentive Summary 5
Spotlight: Michigan 15
Federal View 16
Opportunity Zones 17
INTRODUCTION

As the American economy continues to power forward out of the Great Recession, economic developers and political officials fiercely compete for new business, while encouraging existing companies to stay and thrive at home. The policies and programs developed to support these critical efforts range greatly across the United States, and the restrictions, or lack thereof, which come along with these initiatives can dramatically differ.

Fiscal transparency and ensuring a return on investment for taxpayers are still a hot-button issues across the American landscape. State and local Governments are being pushed by constituents in many jurisdictions to make certain that not only does the public need to know which businesses are receiving economic development incentives, but also are these financial inducements actually providing the positive fiscal impact they are meant to deliver. Whether it be online databases or financial calculators, don’t expect for these initiatives to slow down anytime soon.

American corporate giant, Amazon, is now on the second phase of the major “HQ2” site selection project. As an unprecedented, public journey to establish a new corporate campus, the company has narrowed the candidate field to twenty cities in the United States and Canada. The short-listed cities includes the following:

- Atlanta
- Austin
- Boston
- Chicago
- Columbus
- Dallas
- Denver
- Indianapolis
- Los Angeles
- Miami
- Montgomery County (MD)
- Nashville
- Newark
- New York City
- Northern Virginia
- Philadelphia
- Pittsburgh
- Raleigh
- Toronto
- Washington, D.C.

The following report reviews the most recent evolutions in the economic development policies and programs across the United States, and takes a deep dive into a new federal program established to support growth in low-income districts.
STATE LEGISLATIVE & INCENTIVE SUMMARY
ALABAMA

Governor Kay Ivey signed legislation exempting economic development professionals from a requirement to register as lobbyists in the state. Supporters of the legislation cited the concern that compelling site selectors to disclose their clients publicly could compromise the ability of Alabama to recruit new businesses.

Alabama won a major victory in early 2018 with the announcement of a joint Toyota/Mazda manufacturing plant, which is expected to bring 4,000 jobs and $1.6 billion in capital investments. To induce the automaker to invest in the Heart of Dixie, state and local officials have assembled an incentive package in the realm of $700 million.

ALASKA

Originally introduced by Governor Bill Walker, the Alaska House of Representatives recently passed legislation to provide payments, via bond issuance, for the purchase of outstanding oil and gas tax credits. In total, the state owes approximately $800 million to small oil and gas exploration companies. By offering to pay these credits back earlier than scheduled, the small businesses agree to a discounted rate, which is expected to keep the measure revenue neutral.

Discounts for the early tax credit payments may be reduced, in an aim to spur more investment by the exploration companies. In the current legislation, if companies share seismic data with the state, agree to increased royalty shares, or make a two-year reinvestment commitment, the businesses can minimize the discount impact.

ARIZONA

Arizona lawmakers made revisions to the state’s government property lease excise tax (GPLET), a provision allowing local governments to offer property tax abatements through the levy of an excise tax. The new law establishes restrictions on the guidelines for eligible areas, district renewal procedures, and further defines a slum or blighted area designation. Legislation was passed in 2017 which limited abatements through the GPLET structure to eight-year periods.

Soda drinkers don’t need to worry about their hometown levying taxes on sugary beverages. Governor Doug Ducey signed legislation prohibiting cities and counties in the Grand Canyon State from imposing taxes on specific food products, requiring any tax to be levied uniformly. The new law does not limit future sugar tax legislation at the state level.

ARKANSAS

To showcase the state’s economic development success since 2015, Governor Asa Hutchinson and the Arkansas Economic Development Commission (AEDC) developed an interactive job creation map online. Illustrated using a time-lapse time line graphic, the AEDC map shows the locations and timing of the economic development projects over the previous three years. According to AEDC, the map depicts the sites where 15,834 new jobs were created during the illustrated period.

The Natural State set a new project benchmark when Sun Paper of China announced a $1.3 billion bio-products mill investment. Supported by a $102 million incentive package, the FDI project is the single largest investment in Arkansas history.

CALIFORNIA

California lawmakers are set to reauthorize the state’s primary incentive program, Cal Competes tax credit. Along with a five year reauthorization, legislators are reducing
annual program funding form $200 million to $180 million, a shift that will reduce funding to a new small business support program, subsequently eliminating the small business program category, and add new requirements for reporting taxpayer assurances.

COLORADO

Through the budget process, the Colorado film incentive is still intact for another year, yet at reduced spending levels. Down from the original funding level of $3 million from the establishing legislation, the production rebate will have $750,000 for the next fiscal year, remaining at the same level from the previous fiscal term. Many proponents of the program are citing the funding as a win, as the Colorado House of Representatives originally voted to zero out the incentive altogether. Governor John Hickenlooper initially requested $2 million in funding for the film office for the coming fiscal year.

Colorado landed a second Topgolf sporting and entertainment venue in the state with an upcoming development in the Denver suburb of Thornton. However, recruitment of the popular attraction didn’t come without controversy. The ultimate location for the new facility, which will receive property tax abatements of approximately $3.75 million, is actually the second site of choice, as the initial location was pulled due to legal battles, mainly over local residents pushing back on it. Topgolf leaders have reportedly stated the new project would lead to the creation of 500 new jobs.

CONNECTICUT

Governor Daniel Malloy recently announced a major new project with General Dynamics Electric Boat, the nation’s premier submarine manufacturer. Following a successful bid to build the twelve new Columbia Class submarines, the company is on the verge of hiring 15,000 - 20,000 new employees by 2030 and investing $800 million in Connecticut, alone. An additional investment is also set for their Rhode Island facility, which will be core to the new contract, too. Connecticut will be reportedly providing $83 million in economic development incentives.

State leaders have had a year full of mixed emotions when it comes to Aetna, a global business with a continued presence in Connecticut for over 150 years. The saga began when Aetna announced a move south from the Constitution State to New York City’s Chelsea neighborhood, accompanied by a $9.6 million incentive package. Not too long after, Aetna was purchased by CVS, a Rhode Island-based company, leaving a very uncertain future for the project. Ending the ambiguity, CVS announced in early 2018 that Aetna would in fact remain in Connecticut.

DELAWARE

Governor John Carney announced $4.3 million in grant funding for downtown revitalization efforts in Delaware. Directed from the Downtown Development District program, developers captured the funding to support investment in commercial, residential and mixed-use properties, with two-thirds of the funding going to Wilmington projects. Since 2014, the initiative has delivered $21 million for development projects, which has helped leverage $371 million in investment.

FLORIDA

Governor. Rick Scott announced another round of funding awards from the Florida Job Growth Grant Fund. The program, which was created by the Florida Legislature in 2017, has $85 million allocated for infrastructure and workforce training efforts in the Sunshine State. To date, more than $57 million in funding has been awarded to 21 community projects.
Florida economic developers scored a major victory with the announcement of The Mosaic Company corporate headquarters relocation. Moving from Minnesota, the company will locate their corporate offices in Hillsborough County. Mosaic is no stranger in Florida, as the company already reportedly employs 3,000 in the state with another 3,000 contractors.

GEORGIA

Residents of the Peach State will now be looking to the stars for economic development. Earlier this year, Governor Nathan Deal signed into law the Georgia Space Flight Act. The new legislation sets forth the legal guidelines for the liability of private property and persons, which will have to assume most risks that come along with space travel. Georgia is just the latest of states competing in a revived space race.

Governor Nathan Deal also signed legislation this past May which established a new sales and use tax exemption for significant data center investments. For qualified data centers investments in Georgia, businesses may capture the exemption if investing at least $250 million in areas with a population of 50,000 or more and create a minimum of 20 new jobs at above average wages. The new exemption is set expire in 2028.

HAWAII

Hawaiian Airlines has announced the first non-stop flight from the mainland since 2012. Peter Ingram, President and CEO of Hawaiian Airlines, announced that the airline would be adding a non-stop route to Long Beach. The Department of Business Economic Development and Tourism is projecting an 8% increase in airline seats after the addition of the new route.

IDAHO

Two economic development agencies in Idaho will be officially joining forces. Southern Idaho Rural Economic Development Organization (SIEDO) and Southern Idaho Rural Development has approved a merger of the groups, and they will go under the banner of SIEDO. SIRD had previously focused on rural cities and towns, while SIEDO had set their efforts on attracting manufacturers to the region.

A new FBI data center under construction in Pocatello is going to cost an estimated $100 million and create 500 new direct jobs, according to the Idaho Department of Labor and Bannock Development Corp. Overall the project is estimated to create a $158 million for the state.

ILLINOIS

Referred to as the “Illinois Blue Collar Jobs Act,” state lawmakers have introduced legislation incentivizing construction projects in the Land of Lincoln. The bill would establish new tax credits based on the state income tax withheld from project labor costs, with an increased percentage for projects undertaken in underserved areas. The structure of the incentive would be similar to that of the state’s EDGE program.

The Illinois General Assembly overwhelmingly approved an expansion of the state’s River Edge Redevelopment Zone Historic Tax Credit (RERZ), which provides tax incentives for investment projects of blighted historic properties along designated riverfronts. The legislation, which has been sent to Governor Bruce Rauner for signature, also created a new Illinois Historic Preservation Tax Credit, a competitive funding program for developers through the state’s Department of Natural Resources.

INDIANA

To increase European flights to Indianapolis, the state is providing incentives to Delta Air Lines over the next two years. Delta has agreed to establish nonstop flights from Paris, which will in return receive an inducement of $110 per round trip passenger in 2018, and then a reduced rate of $70 per round trip passenger in 2019.

IOWA

Iowa Economic Development Authority and Iowa Workforce Development are teaming up to conduct laborshed studies throughout the Hawkeye State. To better understand the workforce dynamics at the local level, the comprehensive study will evaluate key labor factors in every county. Beginning in July, the state has budgeted $950,000 for the study’s development and undertaking.
The Iowa Economic Development Authority board has approved tax incentives worth over $674,000 to Tyson to assist in the upgrade of their pork processing plant in Perry. The incentives will be provided based on capital investment and not on job creation.

**KANSAS**

Earlier this year, the Kansas House of Representatives passed legislation expanding public disclosure requirements for businesses receiving state incentives. The introduced legislation would have Kansas Department of Commerce create an online database available to the public listing recipient details for incentives awarded in excess of $50,000 per year. The bill has not been approved by the state Senate.

With an aggressive growth plan in place, Cargill has announced that the company will exceed job expectations at their new Wichita headquarters. The business is currently working under an incentive agreement with the state which will provide tax credits in exchange for an employment level of 800 full-time workers when they relocate this year.

**KENTUCKY**

With a commitment of $421 million, Governor Matt Bevin has suspended the state’s film incentive program. As the state faces an uphill budget battle, the governor called for the program’s halt to ensure the further funds weren’t committed to the program going forward. It is impossible for lawmakers to predict the exact amount the state will ultimately owe productions, as approved projects have two years from when the credits were approved.

Governor Matt Bevin signed legislation earlier this year providing economic development funding for counties located in the Tennessee Valley Authority (TVA) region. Over the next three years, the 39 TVA counties will split $12 million to drive new investment and job creation.

**LOUISIANA**

Louisiana lawmakers blocked legislation intended to cut the state’s film incentive program. Introduced in the Louisiana House of Representatives, the legislation would have cut the tax credit in half for in-state productions. The bill never made it out of the committee.

Political officials and business leaders in the Big Easy rejoiced following the NFL’s decision to host Super Bowl LVII (2024) in New Orleans. The Crescent City previously hosted the league’s championship game in 2013, which reportedly delivered $21 million in tax revenues, with an estimated economic impact of $400 million.

**MAINE**

Governor Paul LePage and state lawmakers came to a compromise in support of incentives for Bath Iron Works in Maine. In return for significant capital investments and job retention, the company can capture up to $45 million in income tax credits. The final deal was reduced from the initial proposal, which would have been capped at $60 million over twenty years.

**MARYLAND**

As a finalist candidate for Amazon’s HQ2 mega project, Maryland lawmakers have approved legislation promising a reported $8.5 billion to the corporate giant. Known as the PRIME act, the incentive pack would kick in if Amazon creates at least 40,000 jobs at an average salary of $100,000 annually. According to a state-funded study, the HQ2 project would bring $17 billion in economic impact to the state each year.
The Board of Estimates has approved a request by Baltimore’s economic development agency to terminate an agreement to redevelop historic downtown. The hope is that this will bring in new investment into the neighborhoods.

**MASSACHUSETTS**

Governor Charlie Baker recently signed a major $1.8 billion capital spending bill. The bill will include a low-income tax credit for affordable housing projects, a tax credit program for market-rate housing projects, and give the Massachusetts Department of Housing and Community Development $10 million or more to spend on producing and preserving housing for recovering substance abusers.

Governor Baker recently used a visit to the new Amazing World of Dr. Seuss Museum to tout the success of Massachusetts Cultural Council grants. To date, the state, leveraging private investment, has provided $9.3 million to support 63 capital project grants and 35 planning grants.

**MINNESOTA**

The Minnesota Department of Employment and Economic Development has approved grants totaling more than $560,000. The grants were awarded to projects located in Barnsville, Cottage Grove, Norwood Young America, and Ranier. The largest of the grants was given to Cantilever Bridge Distillery who received $175,000 to help build a 14,000 square-foot manufacturing facility in Ranier.

Bringing Super Bowl LII to the Twin Cities turned out to be a winning deal for Minnesota. According to a study, the event brought an economic impact of $400 million and $32 million in tax revenues for the region as 125,000 visitors came for the game activities. On average, each visitor stayed in the Twin Cities for nearly 4 days and spent $608 each day.

**MISSISSIPPI**

Governor Phil Bryant signed legislation to allow for expanded property tax abatements for projects with capital investments of at least $60 million. The previous minimum amount for qualified projects was $100 million. Abatements may also be extended for 30 years, an increase from the previous limit of 20 years.

The Delta Regional Authority (DRA) announced they will invest more than $200,000 to help Mississippi Delta communities with job training. The DRA will be partnering with the U.S. Department of Agriculture’s Rural Development program. The investment is made in hopes that current workers will increase their skill level as well as help create new jobs.

**MISSOURI**

Missouri Auditor Nicole Galloway is set to perform an evaluation of economic development incentives in the city of St. Louis. At the request of the St. Louis Board of Alderman, Auditor Galloway will assess the city’s use of incentives like tax increment financing and tax abatements, particularly ensuring transparency and accountability are part of the process.

Governor Eric Greitens released withheld funding for biodiesel facilities in the Show-Me State. The funding is tied to an incentive program created under a 2002 state law to encourage the development of biodiesel plants, particularly utilizing soybeans as the primary feedstock. In all, the funds accounted for $4 million in backlog payments.
MONTANA

Despite not having incentives as robust as its neighbors, Montana remains a popular location for film productions. However, the state film office has been aggressive in working with production companies to support with location scouting, crew recruitment, and grant aid. Montana also features strong film education at their two major universities, along with a new immersion program introduced in Kalispell.

Israeli tech company, 4Cast, opened their first U.S. office in Missoula this year. The project will create 100 new jobs in the next three years. Multiple other cities and states were looking to bring in the tech company but ultimately Nissim Titan, the CEO of 4Cast, decided that Montana was the best place for them.

NEVADA

A recent audit shows that automotive company, Tesla, is on track to meet its gigafactory-related job creation and capital investment commitments to the State of Nevada. As part of the $1.3 billion incentive package, the company estimated that the project would need 6,500 employees and $3.5 billion in investment. To date, the project has an average hourly wage of $37.66, while investing over $3.2 billion in building their gigafactory in the Reno area.

NV Energy, a utility provider in Nevada, is proposing $2 billion in solar and renewable energy investments, which would reportedly generate more than 1,000 megawatts with 100 megawatts of storage capacity. Before going forward, the utility will be closely watching the upcoming ballot initiative on energy choice. If the initiative is approved, the utility may not move forward with the plan citing “liabilities and risks” to customers, according to a recent NV Energy news release.

NEW HAMPSHIRE

Lawmakers in New Hampshire approved an expansion of the state’s education tax credit program. The bill will expand the program to allow individuals paying interest and dividends tax to make donations and receive tax credits.

The New Hampshire Department of Business and Economic Affairs, which was established in 2017, has officially kicked off the process to develop a 10-year economic development plan. Moving forward, the agency aims to create a roadmap for economic development policy and initiatives in the Granite State.

NEW JERSEY

As the newly elected leader of New Jersey, Governor Phil Murphy confirmed his support for Amazon HQ2. Murphy penned a letter to the company reiterating the state’s commitment of $5 billion in incentives to offset a potential investment in Newark.

Murphy recently vetoed legislation to provide tax credits for film productions and digital media content development. With a conditional veto, the governor generally supports reviving the incentive program. However, Murphy is opposed to a provision specifically exempting reality television productions.
NEW MEXICO

Legislators in the Land of Enchantment are expected to assess state liquor laws in the next session. With success in the state and around the country of microbreweries and wineries, lawmakers are discovering the potential for economic development. Currently, state law allows for special licensing exemptions for these businesses.

New Mexico lawmakers are the first to establish a program encouraging employers to hire foster youth. Under new law, businesses hiring qualified foster youth may be eligible for a tax credit of $1,000.

NEW YORK

Governor Andrew Cuomo launched Round VIII of the Regional Economic Development Council initiative earlier this year. The new competitive round will provide over $750 million in state economic development incentives, along with an additional $525 million through the Consolidated Funding Application process. Since inception in 2011, the initiative has awarded over $5.4 billion to support more than 6,300 statewide projects.

Recognizing the critical importance of infrastructure on economic development, Governor Cuomo announced $57.7 million for rural public transportation projects. The funding will leverage more than $80 million for 136 projects statewide.

NORTH CAROLINA

North Carolina legislators have approved changes to a key state incentive program to attract large projects. To compete for major projects, state lawmakers introduced changes to the Job Development Investment Grant (JDIG) program, including a project threshold reduction to $1 billion and 3,000 new jobs to qualify as a “transformative project.” Existing legislation requires projects have a minimum investment of $4 billion and create at least 5,000 jobs to qualify as “transformative.”

OHIO

JobsOhio, the Buckeye State’s lead economic development agency, released their annual report for the previous year. In 2017, the organization, in collaboration with key state and local stakeholders, supported the creation of 22,788 new jobs and the retention of 67,849 existing workers. Along with the jobs, the report also cited approximately $9.6 billion in new capital investment in the state last year.

OKLAHOMA

Oklahoma lawmakers nearly killed a major incentive for the wind industry. After initially passing the Oklahoma House of Representatives, the legislation would have ended the state’s wind production incentives, which offsets investors’ income tax liabilities. The provision was ultimately voted down by the Oklahoma Senate.

PENNSYLVANIA

Governor Tom Wolf’s administration is embroiled in a transparency battle over incentives offered to Amazon for the HQ2 project. The administration finds itself in a similar situation as other state leaders in working to maintain confidentiality for their respective incentive offers to the tech giant.
Pennsylvania lawmakers recently approved the commonwealth’s 2018-2019 budget, which provides several funding mechanisms dedicated to skills development. Among the provisions is $40 million in additional financial support for high-demand computer and skills training in colleges and high schools.

RHODE ISLAND

According to a recent study commissioned by the Preservation Society of Newport County and Preserve Rhode Island, historic preservation is a key driver for the Rhode Island economy. For every dollar the state invests in a historic tax credit project, $10.53 is generated in economic activity. Per the study, spending by heritage visitors deliver $1.4 billion to the state’s economy and creates 26,000 direct and indirect jobs.

SOUTH CAROLINA

Southern Current, a developer of solar energy farms, announced a new investment of $20 million in Jackson. Southern Current will be working directly with Aiken County on the project. The company will enter a power purchase agreement with SCE&G with a plan to produce seventeen megawatts.

Carolina Composites LLC announced plans to add 92 jobs at their Walterboro facility. The boat manufacturer is set to invest $3 million for the expansion. South Carolina Commerce’s Coordinating Council for Economic Development awarded a $100,000 grant to Colleton County to help offset expansion costs.

SOUTH DAKOTA

South Dakota experienced another increase in tourism this past year by 0.1%, with visitor spending increased by 1.2% leading to $12 million in new state and local tax revenue. In all, tourism accounts for over 3% of the state’s economy and nearly 9% of the workforce.

TENNESSEE

Tennessee is seeing another large corporation making the move from New York as AllianceBernstein announced they are moving headquarters from Manhattan to Nashville. They will be moving 1,050 back office employees and will be investing $70 million. Tennessee’s State Funding Board approved $17.5 million in FastTrack Economic Development Grants to the company, which is to put the money towards construction costs, fixtures, and building improvements.

Tyson Foods Inc. has begun building their new chicken processing plant in Gibson County, a project worth an estimated $300 million. This project will create 1,500 local jobs once the complex is constructed.

TEXAS

San Antonio policymakers are providing local incentives to entice television and film productions to the community. The city now offers a 7.5% rebate on eligible production spend, which can be stacked with the state incentive, through the San Antonio Film Commission. To be eligible, a production must spend at least $100,000. Awards are capped at $250,000 per project.

UTAH

In 2017, Governor Gary Herbert introduced a bold plan for rural Utah: 25,000 jobs in 25 counties over the next 4 years. The Utah Legislature has since approved several bills to help drive the state towards meeting the robust goal, including a pilot program through Utah State
University offering online job training for rural high school and college students and post-employment grants for companies creating high paying jobs in rural areas.

**VERMONT**

Work remotely and interested in moving to Vermont? Governor Phil Scott signed legislation to provide up to $10,000 to convince those considering a relocation to make the move. Based on a first-come, first-serve basis, qualified remote workers could spend the grant on relocation costs, broadband access, and co-working membership, among other eligible expenses.

**VIRGINIA**

The Northern Virginia Technology Council released a report highlighting the positive impacts of data centers on Virginia’s economy. According to the report, the data center industry had an economic impact of $10.2 billion statewide in 2016 with approximately 43,275 jobs. For every dollar spent on the industry, the study cites a return of $8 to the local economies.

**WASHINGTON**

In response to outcry from business leaders, the Seattle City Council voted to repeal a recently-approved payroll tax. The payroll levy would have been placed on businesses with over $20 million in revenue. Even though initially unanimously improved by council members, the city leaders voted for repeal by 7-2. If not repealed, there was a possibility of finding the provision voted on via referendum later this year.

**WEST VIRGINIA**

Governor Jim Justice signed legislation to eliminate the state’s film tax credit. Critics of the incentive cited a study stating economic impact of the program has been $6.1 million over the past ten years, despite providing $15 million in tax credits during that period.

**WISCONSIN**

Governor Scott Walker signed Act 176 into law establishing a new tax credit for the development of affordable rental housing. The program, with a priority for populations of under 150,000, will provide a match of the existing 4% federal credit. The Wisconsin Housing and Economic Development Authority is directed to lead the program.

The Wisconsin State Supreme Court upheld the utilization of tax increment financing (TIF) cash grants for an economic development project in Eau Claire. The ruling, which was a 5-2 decision, is not only significant for the project at hand, but also crucial for the major Foxconn project in the state.

**WYOMING**

The Wyoming Senate approved legislation creating a new tax credit for the oil and gas industry in the Cowboy State. The new incentive would provide a reduction in the state severance tax during the 3rd and 4th year of production. Similar legislation has not moved forward in the Wyoming House of Representatives.
The Brownfield Redevelopment Financing Act incorporates Transformational Brownfield Plans (TBP), which allows developers to capture a portion of specific incremental taxes generated from large-scale projects for a specified period of time. The projects must be mixed-use (retail, office, residential or hotel). The Michigan Strategic Fund, a separate legal entity but related to the EMDC, can approve no more than 5 of these in a calendar year, statewide. The program ends December 31, 2022, with a target of 35% of all TBPs needing to be in cities, townships, or villages with populations of less than 100,000. Below is the first announced project to receive support from the new program, a significant investment in downtown Detroit.

**INCENTIVES INCLUDE:**

- **$256M** IN STATE INCOME TAXES ON WORKERS
- **$229M** TIF PROPERTY TAX
- **$60M** IN STATE SALES TAX EXEMPTED ON BUILDING AND CONSTRUCTION MATERIALS
- **$52M** IN STATE INCOME TAXES FOR RESIDENTS LIVING IN NEW BUILDINGS
- **$18M** IN STATE INCOME TAXES ON CONSTRUCTION WORKERS BUILDING THE PROJECTS

**PROJECT HIGHLIGHTS**

- **$909 M** NEW RESIDENTIAL SKYSCRAPER ON FORMER HUDSON’S SITE
- **103,000 ft²** RETAIL/RESTAURANT
- **168,000 ft²** EVENT & CONFERENCE SPACE
- **263,000 ft²** OFFICE SPACE
- **93,000 ft²** EXHIBIT SPACE
- **700 SPACE** UNDERGROUND PARKING
- **330 RESIDENTIAL UNITS**
Trade, tax policy, and immigration have dominated the news coming out of the nation’s capital. Passage of major tax legislation to close out 2017, along with introduction of new tariffs from the White House, is paving a new path for doing business in America for today and years to come.

The major tax legislation, known as the “Tax Cuts and Jobs Act”, made significant changes to the federal tax system in the United States, including corporate tax rates, deductibility of state taxes, modifications to deduction policies, and a new economic development tool, among others.

When it comes to federal tax liability, individual taxpayers will be finding themselves in new tax brackets this year. Major changes regarding individual deductions, including for state tax liabilities, will also be realized in the next tax season. Adjusting for inflation, the following are the new income tax brackets and rates to be levied by the federal government.

Since 1909, businesses in the United States have been levied by the federal government. At the outset, US companies faced a 1% tax rate for business income over $5,000. Over the subsequent decades, corporate tax rates have ranged greatly. From the period of 1994-2017, rates were between 5%-38%, dependent on level of revenues. Today, with the new tax law in place, businesses in the US face a flat federal corporate tax rate of 21%.

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OPPORTUNITY ZONES

Another key piece of the law is the establishment of the Opportunity Zone. The new Opportunity Zones program offers a way for investors to reinvest unrealized capital gains into distressed communities through Opportunity Funds, in exchange for a graduated series of incentives tied to long-term holdings. This program is the first nationwide community investment program in over a decade and has the likelihood to be the largest economic development program in the country.

The Opportunity Zones program is designed to incentivize “long-term” capital investments in designated low-income communities. The incentive benefits relate to the tax treatment of capital gains and are tied to the longevity of an “investor’s” (business or individual) state in a qualified Opportunity Fund, providing the most upside to those who hold their investment for 10 years or more.

BREAKDOWN

An Opportunity Fund is considered to be any corporation or partnership that invests at least 90% of its assets in Opportunity Zone Businesses. This can be either directly or through qualifying corporations or partnerships. The Opportunity Fund must be “certified” under rules to be promulgated by the Secretary of the Treasury. The statute does not provide requirements for certification, but it is likely the certification process will follow existing programs such as the New Markets Tax Credit program's certification process for a “community development entity” (CDE).

Under the statue, an Opportunity Zone Business is a trade or business in which substantially all of the tangible property owned or leased by the entity is Opportunity Zone Business Property and which derives at least 50% of its gross income from the active conduct of a trade or business, uses a substantial portion of any intangible property in such trade or business, and has less than 5% of its assets invested in non qualified financial property.

Potential Qualified Opportunity Zones are being designated through a nomination of census tracts qualifying as “low-income communities” (similarly to the New Markets Tax Credits Program) by the Governor of each State to the Treasury Department and certification of the zone by the Treasury Department. Each State may nominate no more than 25% of the low-income communities in the State as qualified opportunity zone. States are able to nominate census tracts contiguous with eligible low-income communities if the median family income in the designated census tract does not exceed 125 percent of the qualifying contiguous low-income community. As depicted in the next page, the majority of the Opportunity Zones across the United States, with only a few states remaining to be confirmed.
OPPORTUNITY ZONES

AS OF JUNE 26, 2018

Source: https://www.cims.cdfi.Governor:preparation/?config=config_nmtc.xml