Executive Summary

Since the Great Recession began, states have faced high levels of unemployment, an increased demand for safety net services and a volatile revenue base. Although the past two years have brought some improvements, the number one question on state policymakers’ minds continues to be this: What can we do to encourage job growth?

Traditionally, a key policy lever for development and job creation strategies was—and remains—tax and financial incentive programs designed to encourage new firms to start up or existing firms to grow or relocate. This report takes a look at trends in the type and number of incentive programs being used by states in the Midwest, and includes a brief review of economic trends, including an evaluation of employment, unemployment and gross domestic product. A profile for each of the 11 Midwestern states—highlighting certain incentive and development programs, oversight and accountability measures and recent legislative activity—also is provided.

The descriptive information included in each profile was gathered from a review of state economic development agency and division websites and a survey of agency staff.

CSG’s Midwestern region consists of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin.

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TRENDS IN MIDWESTERN STATE BUSINESS INCENTIVES 2013
Trends in the Use of Tax and Financial Incentives

Over the past three decades, states have developed various incentive programs designed to encourage economic activity in order to create, retain or expand business opportunities. In addition to tax and financial incentives, some states have used customized, company-specific incentives to engage in bidding wars with other states, making interstate competition for industries and businesses increasingly intense.

From the 1970s until the early 1990s, the number of states providing tax and financial incentives to businesses and the types of incentives being offered increased significantly. Over the past 10 years, the number of states offering incentives of varying degrees and types has become relatively stable. In 1977, at least 28 states offered tax concessions or credits to businesses for equipment and machinery, goods in transit, manufacturers’ inventories, raw materials in manufacturing and job creation. In 1998, the number of states offering those incentives had grown to 42—the same number in 2012 offering all of those exemptions.

In the Midwest in 2012, all 11 states provided a tax exemption for goods in transit, manufacturers’ inventory, sales/use tax exemption on new equipment, raw materials in manufacturing, job creation and industrial investment. Ten of the 11 states offered an exemption on corporate income taxes, nine allowed exemptions on personal income taxes and five states offered an excise tax exemption. Ten of the 11 Midwestern states also offered a tax exemption or moratorium on land, capital improvements and equipment or machinery, as well as a tax exemption to encourage research and development and accelerated depreciation of industrial equipment. No states in the region provided tax credits for the use of specified state products, while two offered tax stabilization agreements for specific industries.

The number of states across the country offering financial incentive programs also increased over the past three decades. In 1977, fewer than 20 states offered special low-interest loans for building construction, equipment, machinery, plant expansion and establishment of industrial plants in areas of high unemployment. By 1998, more than 40 states offered those incentives—a number that has remained essentially the same during the next decade and a half.

All 11 Midwestern states in 2012 provided state loans for building construction, equipment or machinery and financing aid for existing plant expansion. Ten states offered incentives for establishing industrial plants in areas of high unemployment, while six offered state loan guarantees for equipment, machinery or building construction.

The Big Picture: Economic Trends in the Midwest

Fiscal and economic recovery remains slow and painful for many states as revenues struggle to get back to pre-recession levels while upward pressures on spending remain. States face additional pressure through decreasing—and increasingly unpredictable—federal spending, especially in the areas of health care and education. Labor trends have improved, but the severity of the recession has left its mark—long-term unemployment rates continue to be elevated, while labor participation rates hit their lowest levels in 30 years.

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**FIGURE 1**

<table>
<thead>
<tr>
<th>Tax Incentives, 2012</th>
<th>Number of Midwestern States Offering Incentive (out of 11)</th>
<th>Number of States Nationally Offering Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Income Tax Exemption</td>
<td>10</td>
<td>41</td>
</tr>
<tr>
<td>Personal Income Tax Exemption</td>
<td>9</td>
<td>39</td>
</tr>
<tr>
<td>Excise Tax Exemption</td>
<td>5</td>
<td>28</td>
</tr>
<tr>
<td>Tax Exemption or Moratorium on Land, Capital Improvements</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Tax Exemption or Moratorium on Equipment, Machinery</td>
<td>10</td>
<td>45</td>
</tr>
<tr>
<td>Inventory Tax Exemption on Goods in Transit (Freeport)</td>
<td>11</td>
<td>49</td>
</tr>
<tr>
<td>Tax Exemption on Manufacturers’ Inventories</td>
<td>11</td>
<td>48</td>
</tr>
<tr>
<td>Sales/Use Tax Exemption on New Equipment</td>
<td>11</td>
<td>49</td>
</tr>
<tr>
<td>Tax Exemption on Raw Materials Used in Manufacturing</td>
<td>11</td>
<td>50</td>
</tr>
<tr>
<td>Tax Incentive for Creation of Jobs</td>
<td>11</td>
<td>47</td>
</tr>
<tr>
<td>Tax Incentive for Industrial Investment</td>
<td>11</td>
<td>46</td>
</tr>
<tr>
<td>Tax Credits for Use of Specified State Products</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Tax Stabilization Agreements for Specified Industries</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Tax Exemption to Encourage Research and Development</td>
<td>10</td>
<td>42</td>
</tr>
<tr>
<td>Accelerated Depreciation of Industrial Equipment</td>
<td>10</td>
<td>41</td>
</tr>
</tbody>
</table>


**FIGURE 2**

<table>
<thead>
<tr>
<th>Financial Incentives, 2012</th>
<th>Number of Midwestern States Offering Incentive (out of 11)</th>
<th>Number of States Nationally Offering Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>State-Sponsored Industrial Development Authority</td>
<td>9</td>
<td>41</td>
</tr>
<tr>
<td>Privately Sponsored Development Credit Corporation</td>
<td>8</td>
<td>39</td>
</tr>
<tr>
<td>State Authority or Agency Revenue Bond Financing</td>
<td>11</td>
<td>46</td>
</tr>
<tr>
<td>State Authority or Agency General Obligation Bond Financing</td>
<td>5</td>
<td>27</td>
</tr>
<tr>
<td>State Loans for Building Construction</td>
<td>11</td>
<td>43</td>
</tr>
<tr>
<td>State Loans for Equipment, Machinery</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>State Loan Guarantees for Building Construction</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>State Loan Guarantees for Equipment, Machinery</td>
<td>6</td>
<td>35</td>
</tr>
<tr>
<td>State Financing Aid for Existing Plant Expansion</td>
<td>11</td>
<td>46</td>
</tr>
<tr>
<td>State Matching Funds for City and/or County Industrial Financing Programs</td>
<td>9</td>
<td>29</td>
</tr>
<tr>
<td>State Incentive for Establishing Industrial Plants in Areas of High Unemployment</td>
<td>10</td>
<td>43</td>
</tr>
</tbody>
</table>

Unemployment

Unemployment rates remained elevated in 2012, although rates have dropped since the Great Recession ended. In 2010, the national unemployment rate was 9.6 percent. Throughout 2011, the rate hovered around 9 percent, while the average annual rate in 2012 was 8.1 percent. Nevada had the highest annual average unemployment rate for 2012—11 percent—while North Dakota had the lowest—3.2 percent.

The Midwestern regional average unemployment rate has largely tracked national trends over the past several years, increasing considerably in 2009 and remaining elevated throughout 2010, with small but consistent declines in 2011 and 2012. A few states in the region were hit much harder than others during the recession, with Illinois, Indiana and Michigan each reaching an unemployment rate of more than 10 percent. Michigan had the highest annual unemployment rate in the country in 2009, reaching 13.4 percent—much higher than the national average of 9.3 percent.

Although every state in the region saw its unemployment rates increase during and after the recession, a few states remained significantly below the national average throughout the recession and since, including Iowa—annual rate never got above 6.3 percent; Nebraska—annual rate never got above 4.7 percent; North Dakota—annual rate never got above 4.1 percent; and South Dakota—annual rate never got above 5.2 percent. In addition, the Midwestern average unemployment rate has fallen back toward pre-recession levels more quickly than the national rate, hitting 6.2 percent in 2012, compared to the national rate of 8.1 percent.

More recently, from March 2012 to March 2013, 39 states reported declines—although only 11 were statistically significant—in their unemployment rates. Nationally, Nevada saw the biggest decline for the second year in a row, dropping 1.9 percentage points; followed by Rhode Island with a drop of 1.5 percentage points; and Florida, which reported a decline of 1.4 percentage points. Over this same time period, three states reported no change in their unemployment rates, while eight reported an increase, although those increases were all 0.7 percentage points or less.

From March 2012 to March 2013, seven states in the Midwestern region reported a decline in unemployment rates, while four states reported increases. The declines were modest, with Iowa (0.5 percentage points) and Michigan (0.5 percentage points) dropping the most in the region. Illinois (0.7 percentage points) and Indiana (0.5 percentage points) each saw the largest increases—both regionally and nationally—to their unemployment rates over this period.

Long-term Unemployed

While unemployment rates continue to improve, characteristics of the unemployed remain fundamentally altered due to the recession. For example, the number of long-term unemployed—defined as those unemployed for 27 weeks or more—skyrocketed throughout the economic downturn. Nationally in 2011, the percentage of unemployed workers considered long-term unemployed increased significantly, hitting 44.6 percent in September—the highest percentage since the U.S. Department of Labor began calculating the rate in 1948. By 2012, the long-term unemployed rate stabilized and began decreasing slightly, hitting 39.1 percent in December. Individuals received unemployment benefits an average of 38.1 weeks in December 2012—more than double the average duration of unemployment when the recession began in December 2007.

Labor Force Participation

Labor force participation rates—the proportion of the working age, civilian noninstitutionalized population that either has a job or is actively looking for one—hit 63.3 percent in April 2013, the lowest rate since February 1979. Participation rates, however, vary significantly by state. West Virginia, with a labor force participation rate of 54.2 percent, had the lowest rate in the country in April 2013, followed by Alabama at 57.9 percent and Mississippi at 58.4 percent. Nebraska had the highest rate in the nation at 72.9 percent, followed by North Dakota at 72 percent and Minnesota at 70.9 percent.

In the Midwestern region, Michigan had the lowest labor force participation rate in April 2013 at 59.8 percent, followed by Indiana at 62.5 percent and Ohio at 63.5 percent. Nebraska had the highest labor force participation rate in the region at 72.9 percent, followed by North Dakota at 72 percent and Minnesota at 70.9 percent. All but two states in the region—Michigan and Indiana—had participation rates higher than the national rate.

The change in labor force participation rates since the recession began also varies by state. From November 2007 to April 2013, the national labor participation rate fell from 66 percent to 63.3 percent—a drop of 2.7 percentage points. Hawaii had the biggest drop in its participation rate of any state nationally over this period, falling by 5.7 percentage points. Utah (4.9 percentage points) and Michigan (4.7 percentage points) were close behind. Kentucky (0.2 percentage points) and Texas (0.3 percentage points) saw the smallest decreases in participation rates. No state over this period experienced an increase in labor force participation rates.

In the Midwestern region, the drop in participation rates from November 2007 to April 2013 ranged from a low of 0.5 percentage points in Nebraska and 1.2 percentage points in Minnesota to a high of 4.7 percentage points in Michigan and 4.2 percentage points in Indiana.

### FIGURE 3

<table>
<thead>
<tr>
<th>Midwestern State</th>
<th>May 2013 Rate* (percent)</th>
<th>Change from May 2012 (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois</td>
<td>9.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Indiana</td>
<td>8.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Iowa</td>
<td>4.6</td>
<td>-0.7</td>
</tr>
<tr>
<td>Kansas</td>
<td>5.7</td>
<td>-0.1</td>
</tr>
<tr>
<td>Michigan</td>
<td>8.4</td>
<td>-0.8</td>
</tr>
<tr>
<td>Minnesota</td>
<td>5.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>Nebraska</td>
<td>3.8</td>
<td>-0.2</td>
</tr>
<tr>
<td>North Dakota</td>
<td>3.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Ohio</td>
<td>7.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>South Dakota</td>
<td>4.0</td>
<td>-0.4</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>7.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

*Seasonally-adjusted, preliminary data.

Gross Domestic Product

Nationally, real gross domestic product increased 2.2 percent in 2012 compared with an increase of 1.8 percent in 2011. Personal consumption expenditures, nonresidential fixed investment, exports, residential fixed investment and private inventory investment contributed the most to the increase in real GDP in 2012, gains that were offset somewhat by negative contributions from public (federal, state and local) spending.

On a state-by-state basis, 43 states and the District of Columbia saw an increase in real GDP in 2011, a modest slowdown compared to 2010. Each region performed differently, with several states posting more than a 4 percent gain and one state—North Dakota—posting a 7.6 percent gain. Most states fell between a 0.03 percent and a 3.3 percent growth rate from 2010 to 2011. Seven states—Alabama, Hawaii, Maine, Mississippi, Montana, New Jersey and Wyoming—experienced a drop in year-over-year real GDP, each decreasing by less than 0.78 percent. Oregon, North Dakota and West Virginia each experienced big gains in GDP, all growing by 4.5 percent or more, with North Dakota posting a 7.6 percent increase over 2010.

On a per capita basis, nominal GDP for the U.S. was $48,079 in 2011, while states nationally ranged from a high of $72,487 in Delaware to a low of $32,839 in Mississippi. For the 11 Midwestern states, the 2011 growth rate for real GDP ranged from a low of 0.1 percent in Nebraska to 7.6 percent in North Dakota.

Personal Income

State personal income continued to increase in 2012, growing by 3.5 percent over 2011. That growth rate was slower, however, than in 2011, when income grew by 5.2 percent over 2010. Personal income grew the most in North Dakota in 2012—by an impressive 12.4 percent—while personal income fell slightly in South Dakota—the only state to have negative growth over the period—falling by 0.2 percent.

On a per capita basis, personal income was $42,693 in 2012, an increase of 2.7 percent over the per capita rate in 2011 of $41,560. Nationally in 2012, Connecticut had the highest per capita personal income at $58,908, while Mississippi had the lowest at $33,073. Growth rates in per capita personal income from 2011 to 2012 also varied significantly across states. Only South Dakota posted a negative growth rate over this period, while other states’ growth rates ranged from a low of 1.07 percent in Nevada to a high of 9.9 percent in North Dakota.

Across all 11 states in the Midwestern region, personal income grew 3.3 percent in 2012, slightly less than the national growth rate of 3.5 percent. 2012 per capita personal income in the region ranged from a low of $36,902 in Indiana to a high of $51,893 in North Dakota. In 2012, the Midwestern region included the state with the highest per capita personal income growth—North Dakota with an increase of 9.9 percent—and the only state to see declines in per capita personal income over the period—South Dakota, with a decline of 0.2 percent.

North Dakota claimed the fastest personal income growth rate of any state for the fifth time in six years, due primarily to a steep increase in oil and gas extraction in the state. Since 2006, personal income in North Dakota has grown at a compound annual rate of 9.2 percent, more than three times the 2.9 percent growth rate of the other 49 states. In 2012, mining—which includes oil and gas extraction—and construction accounted for 43 percent of private nonfarm earnings growth in North Dakota.
The Bureau of Economic Analysis explains that South Dakota’s decline in personal income was due to the effects of a drought on farm income. The same drought also affected personal income in three other states in the region: Nebraska, Kansas and Iowa, each of which had below average total personal income growth in 2012. The drought also helps to explain a relatively low growth rate for the regional average.

Earnings and Median Income
The average hourly earnings for all employees nationally on private nonfarm payrolls reached $23.87 in April 2013, an increase of 45 cents—or 1.9 percent—over April 2012. In 2012, average annual hourly earnings differed considerably across states, ranging from $18.57 in Arkansas to $28.14 in Connecticut. In the Midwestern region, annual hourly earnings in 2012 ranged from a low of $19.42 in South Dakota to a high of $24.95 in Minnesota.

Another measure of income is median household income. Real median household income fell between 2010 and 2011 by 1.5 percent—the second consecutive annual drop—landing at $50,054 in 2011. Nevada saw the biggest drop from 2010 to 2011 in real median household income—10.9 percent—while Oklahoma saw the biggest year over year increase—9 percent. Median household income in 2011 ranged from a low of $39,856 in Kentucky to a high of $68,876 in Maryland. From 2010 to 2011, 28 states experienced a decrease in real median household income while 21 states saw an increase and one state—North Carolina—saw no year-over-year change.

When compared to prerecession income levels in 2007, real household median income has declined by 8.1 percent and remains 8.9 percent shy of the peak that occurred in 1999. Nevada also saw the sharpest decline in real median household income from 2007 to 2011, falling 19.8 percent, while North Dakota’s income grew the most—10.1 percent. Over this period, 44 states saw a decline in real median household income, while Mississippi, Nebraska, North Dakota, Oklahoma, Vermont and Wyoming were the only states to see an increase in income.

Among states in the Midwestern region, Indiana had the lowest median household income in 2011 at $44,445, while Minnesota had the highest, at $57,820. From 2010 to 2011, five of the 11 states in the region saw a drop in real median household income. Indiana saw the biggest drop—6.6 percent—while Minnesota and North Dakota saw the biggest gains to income, each growing by 7.1 percent year-over-year. The average regional percent change over this period was 0.3 percent, a more positive change than the national average of -1.5 percent. From 2007 to 2011, all but two states in the region—Nebraska and North Dakota—saw a drop in real median household income, with Ohio seeing the largest decline at 16.2 percent. The average regional percent change over this period was -6.8 percent.

Many states offer film tax incentives to encourage film production in that state. In the CSG Midwest region, eight of 11 states offer some sort of film tax credit. Film incentive programs were enacted as a means to boost economic development, job growth and tourism. The structure, type and size of the incentives vary by state.

**Illinois** offers producers a credit of 30 percent of all qualified expenditures, including post-production.

**Indiana** offers an innkeeper’s tax that exempts an accommodation—such as rooms in hotels, motels, B&B, cabins, cottages, space in camper parks, etc.—if it is rented for 30 days or more, from both county innkeeper’s tax and sales tax.

**Kansas** provides a film production tax credit that allows for a 30 percent tax credit on direct production expenditures made by an eligible film production company.

**Michigan** has greatly reduced its film tax credit. Michigan’s tax credit used to provide up to a 42 percent subsidy for qualified film and television productions. For any projects approved after 12/31/2011, the tax credit was reinstated at a less generous level—only up to 32 percent of the amount of a production company’s expenditures will qualify.

**Minnesota’s** biggest film tax incentive, Snowbate, reimburses 15 to 20 percent of Minnesota production expenditures to films, television and Internet programs and other media content. The Legacy Program is a smaller incentive program that offers $240,000 for reimbursement of Minnesota post-production costs to feature length narrative films (80 minutes, minimum) and long-form documentary projects (50 minutes, minimum).

**In Nebraska**, the film industry is eligible to receive funds from the Local Option Municipal Economic Development Act of 1991. The funds may be used to offset production expenses with a direct payment to the local vendor that gave a reduced price for services to the production source in that community.

**The Ohio Motion Picture Tax Incentive offers a 25 percent refundable tax credit for qualifying in-state expenditures and non-resident wages incurred in producing a film or other media entertainment project in Ohio. Resident wages receive a higher tax credit of 35 percent.**

**Wisconsin** provides two tax incentive programs—the Film Production Service Tax Credit and the Film Production Company Investment Tax Credit. The Film Production Service Tax Credit offers a 25 percent production tax credit for an accredited film, video, advertisement or television production to cover the cost of the production. Producers also can earn Film Production Company Investment Tax Credits for 15 percent of construction/rehab and tangible property purchases for three years if the production company starts its operations in Wisconsin.

Three states in the CSG Midwest region—**Iowa, North Dakota** and **South Dakota**—do not offer any film tax incentives. Iowa suspended its program in 2009.
# MIDWESTERN STATE PROFILE SAMPLE

The descriptive information provided in each state profile—successful incentive and development programs, oversight and accountability measures and recent legislative highlights—was gathered from a review of state economic development agency and division websites and a survey of agency staff. Economic indicators and key tax rates were collected from the U.S. Bureau of Economic Analysis and the Federation of Tax Administrators.

## PROGRAM INFORMATION
- Agency/Department Title
- Website Address

## ECONOMIC INDICATORS
- **Per Capita Personal Income**
  - 2012 Per Capita Personal Income
  - Percent of National Average
  - Percent Change from 2011
  - 2002-12 Compound Annual Growth Rate
- **Current Dollar GDP**
  - 2011 Current Dollar GDP
  - U.S. Rank: 1 = highest GDP; 50 = lowest GDP
- **Real GDP**
  - 2011 Growth Rate
  - 2001-11 Compound Annual Growth Rate
- **Largest Industry Contributors to GDP:**
  - U.S. Bureau of Economic Analysis industry categories
- **Largest Industry Contributors to GDP Growth, 2010-11**


## KEY TAX RATES
- **State Individual Income Taxes**
  - Tax Rate Range
  - Low
  - High
  - Income Brackets
    - Lowest
    - Highest
    - Number of Tax Brackets
- **Corporate Income Tax Rates**
  - Tax Rate Percentages
  - Lowest Tax Bracket
  - Highest Tax Bracket
  - Number Of Tax Brackets
- **Excise Tax Rates**
  - General Sales And Gross Receipts Tax
  - Motor Fuel Excise Tax Rates: Cents Per Gallon
    - Gasoline: Rate
    - Diesel: Rate
    - Gasohol: Rate

Source: Federation of Tax Administrators as assembled in CSG's 2013 Book of the States, [www.csg.org/bookofthestates](http://www.csg.org/bookofthestates)
COMMON BUSINESS INCENTIVE PROGRAMS

States were asked to report and describe their major business incentive programs, including tax or financial incentives.

Example: Indiana's Research and Development Tax Credit and Sales Tax Exemption—Two tax incentives targeted at encouraging investments in research and development are available, including a credit applied against a taxpayer's state income tax liability calculated as a percentage of qualified research expenses and a refund for sales tax paid on purchases of qualified research and development equipment.

OVERSIGHT AND ACCOUNTABILITY MEASURES

States were asked to cite oversight and accountability measures they have in place for their tax and financial incentive programs.

Example: Nebraska's business incentives are awarded post-performance. The Nebraska Department of Revenue performs a compliance audit to ensure that the applicable investment, employment and wage thresholds are met before any tax credits are awarded or used. It also checks to ensure application is for a qualified activity. The Department of Revenue performs periodic audits to ensure the levels of employment and investment have been maintained through the entitlement period. If these levels are not maintained, any credits earned during this period will be recaptured, along with any refunds that may have been issued during this period.

RECENT LEGISLATIVE HIGHLIGHTS

Legislative highlights during the past one to two legislative sessions related to economic development are listed here.

Example: South Dakota Republican and Democrat leadership worked together during the 2013 legislative session to formulate a comprehensive economic development package with built-in safeguards to ensure fiscal responsibility, transparency and accountability. The multi-faceted approach set forth in Senate Bill 235 focuses on education, housing, infrastructure, local economic development efforts, and large and small project needs.

One component of the legislation provides for the Board of Economic Development to approve discretionary reinvestment payments, up to the amount of sales and use tax paid on project costs, for new or expanded facilities with a total project cost in excess of $20 million, and for equipment upgrades with a total project cost in excess of $2 million. The legislation also created the Building South Dakota Fund, which is funded by unclaimed property receipts, in addition to the contractor's excise tax collected by the Department of Revenue on projects in excess of $20 million that are approved to receive a reinvestment payment. The fund allocates money for the Workforce Education Fund, the Local Infrastructure Improvement Grant Fund, the Economic Development Partnership Fund, and the Revolving Economic Development and Initiative Fund.
**ECONOMIC INDICATORS**

- **PER CAPITA PERSONAL INCOME**
  - 2012: $44,815
  - Percent of National Average: 105 percent
  - Percent Change from 2011: 2.5 percent
  - 2002-12 Compound Annual Growth Rate: 2.9 percent

- **CURRENT DOLLAR GDP**
  - 2011: $670.7 billion
  - U.S. Rank: 5

- **REAL GDP**
  - 2011 Growth Rate: 1.3 percent
  - 2001-2011 Compound Annual Growth Rate: 0.8 percent

- **LARGEST INDUSTRY CONTRIBUTORS TO GDP**
  Real estate and rental and leasing (12.2 percent); finance and insurance (10.2 percent)

- **LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-11**
  Durable goods manufacturing (0.59 percentage points); professional, scientific and technical services (0.22 percentage points)

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**KEY TAX RATES**

**STATE INDIVIDUAL INCOME TAXES**

- Tax Rate Range (percent)
  - Low: 5.0
  - High: --
- Income Brackets
  - Lowest: Flat rate
  - Highest: Flat rate
- Number of Tax Brackets: 1

**CORPORATE INCOME TAX RATES**

- Tax Rate: 9.5 percent*
- Lowest Tax Bracket: Flat rate
- Highest Tax Bracket: Flat rate
- Number of Tax Brackets: 1

**EXCISE TAX RATES**

- General Sales and Gross Receipts Tax: 6.25 percent
- Cigarettes: $1.98 per pack**
- Distilled spirits: $8.55 per gallon and, if under 20 percent alcohol, an additional $1.39 per gallon***
- Motor Fuel Tax Rates (cents per gallon)****
  - Gasoline: 20.1
  - Diesel: 22.6
  - Gasohol: 20.1

* The Illinois rate of 9.5 percent is the sum of a corporate income tax rate of 7.0 percent plus a replacement tax of 2.5 percent.
** Counties and cities may assess an additional 10 to 15 cents per pack tax in Illinois.
*** An additional tax of $2.68 per gallon in Chicago and $2.00 per gallon in Cook County.
**** Carriers pay an additional surcharge equal to 21.0 cents.

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**PROGRAM INFORMATION**

- Illinois Department of Commerce and Economic Opportunity
- [http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/](http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/)
COMMON BUSINESS INCENTIVE PROGRAMS

- Advantage Illinois — This program provides Illinois businesses and entrepreneurs with access to the capital they need to start new companies and expand existing business. The program is comprised of multiple programs to spur institutional lending.
- The Department of Commerce and Economic Opportunity Community Development Fund — This department is partnering with financial institutions to distribute $5 million in micro loans to startups and existing small businesses through the Community Development Fund.
- The Illinois Finance Authority — This self-financed state authority is principally engaged in issuing taxable and tax-exempt bonds, making loans and investing capital for businesses, nonprofit corporations, agriculture and local government units statewide.
- Illinois Department of Agriculture AgriFIRST Grant Program — This program provides grants to people and agriculture businesses in Illinois for the purpose of developing projects that enhance the value of agricultural products or expand agribusiness in Illinois.
- Employer Training Investment Program — This competitive application program is for Illinois-based manufacturers and service companies to facilitate upgrading the skills of their workers in order to remain current in new technologies and business practices.
- Large Business Development Program — This program provides 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.
- Illinois Angel Investment Credit Program — This program offers a tax credit to firms or people who make an investment in one of Illinois’ qualified new business ventures.
- Economic Development For a Growing Economy Tax Credit Program — This program offers special tax incentives to encourage companies to locate or expand operations in Illinois when there is active consideration of a competing location in another state. Tax credits to qualifying companies are equal to the amount of state income taxes withheld from employees’ salaries in newly created jobs.
- Enterprise Zone Program — This program is designed to stimulate economic growth and neighborhood revitalization in economically depressed areas. It offers state and local tax incentives, regulatory relief and improved governmental services.
- High Impact Business — This program is designed to encourage large-scale economic development activities by providing tax incentives — including investment tax credits and a state sales tax exemption on building materials, utilities and purchases of personal property — to companies that propose to make a substantial capital investment in operations and will create or retain an above-average number of jobs.
- Illinois Small Business Jobs Creation Tax Credit Program — After creating one or more new, full-time positions that meet eligibility requirements, small businesses can register online to receive a $2,500 per job tax credit.
- New Markets Development Program — This program provides supplemental funding for investment entities that have been approved for the Federal New Markets Tax Credit program, which offers tax credits for making investments into approved funds, which in turn will be used to make investments in eligible projects located in low-income areas throughout Illinois.

OVERSIGHT AND ACCOUNTABILITY MEASURES

The Office of Accountability is responsible for developing and implementing an accountability program for grant disbursements, as well as setting, maintaining and managing the monitoring policies for the Department of Commerce and Economic Opportunity. The department monitors and collects information on grantee progress toward completion of the project’s objectives using performance measures. The department also provides access to a grant database where the public can see the recipients and value of the grants by year back to 2009. The state comptroller’s office produces a tax expenditure report each fiscal year and makes those reports available online. These reports, required by state law, contain tax expenditure information, including exemptions and credits or abatements given to individuals, corporations or other organizations. In addition, the report analyzes tax expenditures greater than $100 million and examines growth trends for the three largest tax expenditures.

RECENT LEGISLATIVE HIGHLIGHTS

During the 2013 session, legislators approved House Bill 1544, which creates the Illinois Business Development Council and provides an agreed-upon structure for the Department of Commerce and Economic Opportunity to produce a state economic development plan every five years, starting July 1, 2014. During the 2012 session, Gov. Pat Quinn signed into law Senate Bill 3616, which extends and modifies the Illinois Enterprise Zone program, a state and local partnership to encourage economic growth across the state. The law extends the program for 25 years, creates a process for communities with existing zones and communities wishing to apply for the designation, creates an Enterprise Zone Board and increases reporting requirements of companies receiving tax benefits from the Enterprise Zone and High Impact Business programs.
ECONOMIC INDICATORS

PER CAPITA PERSONAL INCOME
- 2012: $36,902
- Percent of National Average: 86.0 percent
- Percent Change from 2011: 4.3 percent
- 2002-2012 Compound Annual Growth Rate: 2.6 percent

CURRENT DOLLAR GDP
- 2011: $278.1 billion
- U.S. Rank: 17

REAL GDP
- 2011 Growth Rate: 1.1 percent
- 2001-2011 Compound Annual Growth Rate: 1.0 percent

LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011
Durable goods manufacturing (15 percent); nondurable goods manufacturing (11.7 percent)

LARGEST INDUSTRY DETRACTORS TO GDP GROWTH, 2010-11
Durable goods manufacturing (0.72 percentage points); professional, scientific and technical services (0.21 percentage points)

KEY TAX RATES

STATE INDIVIDUAL INCOME TAXES
- Tax Rate Range (percent)
  » Low: 3.4
  » High: --
- Income Brackets*
  » Lowest: Flat rate
  » Highest: Flat rate
- Number of Tax Brackets: 1

CORPORATE INCOME TAX RATES
- Tax Rate: 8 percent*
- Lowest Tax Bracket: Flat rate
- Highest Tax Bracket: Flat rate
- Number of Tax Brackets: 1

EXCISE TAX RATES
- General Sales and Gross Receipts Tax: 7 percent
- Cigarettes: $1.98 per pack
- Distilled spirits: $2.69 per gallon **
- Motor Fuel Tax Rates (cents per gallon)***
  » Gasoline: 18
  » Diesel: 18
  » Gasohol: 18

* The corporate income tax rate fell to 7.5 percent July 1, 2013.
** An additional tax of 47 cents per gallon if under 15 percent alcohol content.
***Carriers pay an additional surcharge equal to 11 cents, sales tax additional.
## COMMON BUSINESS INCENTIVE PROGRAMS

- **The Economic Development for a Growing Economy Tax Credit**—Corporations can receive a refundable corporate income tax credit based on newly created jobs.
- **The Hoosier Alternative Fuel Vehicle Manufacturer Tax Credit**—Each qualified investment for the manufacture of alternative fuel vehicles can receive a credit up to 15 percent.
- **The Hoosier Business Investment Tax Credit**—This non-refundable corporate income tax credit is calculated as a percentage of the eligible capital investment to support a project.
- **The Headquarters Relocation Tax Credit**—Corporations that relocate their headquarters to Indiana are eligible to receive this tax credit, which equals half the moving costs and is assessed against the corporation’s state tax liability.
- **The Industrial Recovery Tax Credit**—Companies may be eligible for this tax credit calculated as a percentage of the qualified rehabilitation or remodeling expense in facilities requiring significant rehabilitation.
- **The Research and Development Tax Credit**—Company research expenses may qualify for this credit against state tax liabilities.
- **The Venture Capital Investment Tax Credit**—This program encourages investment in early-stage companies by providing a tax credit for taxpayers who invest in qualified Indiana businesses.
- **The Patent Income Exemption**—Taxpayers and companies with 500 or fewer employees are exempt from certain income derived from qualified utility and plant patents. Qualified taxpayers are eligible for an exemption of 50 percent of patent income for each of the first five years, decreasing over the next five years to 10 percent in the 10th year.
- **Research and Development**—Two tax incentives targeted at encouraging investments in research and development are available, including a credit applied against a taxpayer’s state income tax liability calculated as a percentage of qualified research expenses and a refund for sales tax paid on purchases of qualified research and development equipment.
- **Sales and Use Tax Exemptions**—Raw materials, equipment, power, electricity and utilities used in manufacturing are exempt from the sales tax along with wholesale sales and items used directly in production, sales made in interstate commerce, and the purchase of research and development equipment.
- **The Skills Enhancement Fund**—Businesses committed to training Indiana residents for their workforce can receive financial assistance through this fund.

## OVERSIGHT AND ACCOUNTABILITY MEASURES

Incentives are performance-based in Indiana. The state’s statutory scheme calls for annual reporting of all grant, loan and tax credit programs, including goals for company employment, training and investment. This report is used as a basis to evaluate effectiveness of state dollars used in incentive programs. The Indiana Economic Development Corporation regularly screens incoming deals and conducts due diligence reviews. The corporation also monitors long-term contractual obligations to ensure performance goals are reached and makes appropriate recapture determinations in alignment with statutory frameworks. The corporation maintains a website providing up-to-date data for projects, including the

## RECENT LEGISLATIVE HIGHLIGHTS

The Indiana legislature in 2013 enacted legislation that repealed the inheritance tax and reduced the personal income tax rate from 3.4 percent to 3.3 percent for taxable years 2015-16 and to 3.23 percent for taxable years 2017 and beyond. In addition, the legislature modified the Headquarters Relocation Tax Credit to expand the scope of eligibility to include divisional headquarters as well as research and development centers. The legislature created the Indiana Career Council and regional Indiana Works Councils to align the state’s education, job skills development and career training systems in order to achieve a better matchup between the supply of workers with the workforce needs of the business community.
**ECONOMIC INDICATORS**

**PER CAPITA PERSONAL INCOME**
- 2012: $42,126
- Percent of National Average: 99.0 percent
- Percent Change from 2011: 2.4 percent
- 2002-2012 Compound Annual Growth Rate: 3.9 percent

**CURRENT DOLLAR GDP**
- 2011: $149 billion
- U.S. Rank: 30

**REAL GDP**
- 2011 Growth Rate: 1.9 percent
- 2001-2011 Compound Annual Growth Rate: 2.2 percent

**LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011**
- Finance and insurance (12.6 percent); government (11.3 percent)

**LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-2011**
- Durable goods manufacturing (0.75 percentage points); real estate and rental and leasing (0.53 percentage points)

**KEY TAX RATES**

**STATE INDIVIDUAL INCOME TAXES**
- Tax Rate Range (percent)
  - Low: 0.36
  - High: 8.98
- Income Brackets
  - Lowest: $1,494
  - Highest: $67,230
- Number of Tax Brackets: 9

**CORPORATE INCOME TAX RATES**
- Tax Rate: 6.0-12.0 percent
- Lowest Tax Bracket: $25,000
- Highest Tax Bracket: $250,001
- Number of Tax Brackets: 4

**EXCISE TAX RATES**
- General Sales and Gross Receipts Tax: 6.0 percent
- Cigarettes: $1.36 per pack
- Distilled spirits: *see note*
- Motor Fuel Tax Rates (cents per gallon)**
  - Gasoline: 22.0
  - Diesel: 23.5
  - Gasohol: 20.0

*In Iowa, the government directly controls the sales of distilled spirits. Revenue is generated from various taxes, fees, price markups and net liquor profits.
**Iowa has an additional environmental fee.
COMMON BUSINESS INCENTIVE PROGRAMS

- High Quality Jobs Program—The state’s primary incentive program offers qualifying businesses tax credits, exemptions and/or refunds to offset the cost incurred to locate, expand or modernize an Iowa facility. Those incentives include local property tax exemptions, an investment tax credit, a refund of state sales, service or use taxes paid to contractors or subcontractors during construction, and an increase in the state’s refundable research activities credit.
- The Iowa Small Business Loan Support Program—This program helps Iowa entrepreneurs and small businesses in their efforts to access capital for business purposes.
- The Demonstration Fund—This fund provides financial and technical assistance to encourage high technology prototype and concept development activities that have a clear potential to lead to commercially viable products or services within a reasonable period of time.
- The Iowa Capital Access Program—This program helps Iowa businesses secure the financing needed to launch, retain or expand operations in Iowa. The program encourages banks and other eligible financial institutions to consider small business loans that fall outside of conventional underwriting criteria by providing loan portfolio insurance to reduce lender.
- The Iowa Innovation Acceleration Fund—This fund provides financing for companies that transfer technology into competitive companies that create high paying jobs. The fund has three programs that focus on pre-seed capital, seed capital and expansion state financing.
- The Industrial New Jobs Training Program—Businesses participating in this program may be eligible for reimbursement up to 50 percent of the annual gross payroll costs expended for on-the-job training, as well as a corporate tax credit if Iowa employment is increased by at least 10 percent.
- Apprenticeship Program—This program funds projects that increase the skills of workers through a combination of classroom and on-the-job training.
- Iowa Jobs Training Program—This program provides job training services to current employees of eligible businesses located in Iowa.
- Research Activities Credit—Iowa companies can receive refundable tax credits for research and development investments. The credits may be paid in cash directly to the company once its tax liabilities have been met.
- The Iowa New Jobs Tax Credit—This corporate income tax credit is available to companies that have entered into a New Jobs Training Agreement and expanded their Iowa employment base by 10 percent or more.
- Enterprise Zones—Through state and local tax incentives, businesses and developers are encouraged to make new investments and create or retain jobs in targeted, economically depressed areas in Iowa. Businesses locating or expanding in an Enterprise Zone may receive property tax exemptions, funding for employee training, sales tax refunds, Iowa income tax credits or other tax incentives.

OVERSIGHT AND ACCOUNTABILITY MEASURES

The state’s primary incentive program—the High Quality Jobs Program—includes several oversight and accountability measures. In order to be eligible for incentives under the program, businesses must meet a number of baseline requirements, including job creation, wage threshold and benefit requirements, as well as a sufficient return on investment for the state, which is based on a calculated fiscal impact ratio. This fiscal impact ratio is calculated by dividing the projected state revenues by the total cost of offering the incentives and provides a single, quantifiable measure of the overall value to the state of a proposed project.

RECENT LEGISLATIVE HIGHLIGHTS

During the 2013 session, Gov. Terry Branstad signed into law House Bill 620, which authorized the Iowa Economic Development Authority to create and collect certain fees from businesses or individuals who receive financial assistance and modify the amount of certain tax credits available in a given fiscal year. The Iowa Economic Development Authority was created in 2011 to replace the Iowa Department of Economic Development as part of a complete overhaul of Iowa’s economic development delivery model.
ECONOMIC INDICATORS

PER CAPITA PERSONAL INCOME
- 2012: $41,835
- Percent of National Average: 98.0 percent
- Percent Change from 2010: 2.3 percent
- 2002-2012 Compound Annual Growth Rate: 3.5 percent

CURRENT DOLLAR GDP
- 2011: $130.9 billion
- U.S. Rank: 31

REAL GDP
- 2011 Growth Rate: 0.5 percent
- 2001-2011 Compound Annual Growth Rate: 1.3 percent

LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011
Government (15.3 percent); real estate and rental and leasing (9.2 percent)

LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-2011
Administrative and waste management services (0.31 percentage points); finance and insurance (0.23 percentage points)

PROGRAM INFORMATION
- Kansas Department of Commerce
- http://www.kansascommerce.com/

KEY TAX RATES

STATE INDIVIDUAL INCOME TAXES
- Tax Rate Range (percent)
  » Low: 3.0
  » High: 4.9
- Income Brackets*
  » Lowest: $15,000
  » Highest: --
- Number of Tax Brackets: 1

CORPORATE INCOME TAX RATES
- Tax Rate: 4.0 percent**
- Lowest Tax Bracket: Flat rate
- Highest Tax Bracket: Flat rate
- Number of Tax Brackets: 1

EXCISE TAX RATES
- General Sales and Gross Receipts Tax: 6.3 percent***
- Cigarettes: $.79 per pack
- Distilled spirits: $2.50 per gallon****
- Motor Fuel Tax Rates (cents per gallon)*****
  » Gasoline: 25.03
  » Diesel: 27.03
  » Gasohol: 25.03

*For joint returns, taxes are twice the tax on half the couple’s income.
**In addition to the flat 4 percent corporate income tax, Kansas levies a 3 percent surtax on taxable income more than $50,000. Banks pay a privilege tax of 2.25 percent of net income, plus a surtax of 2.125 percent (2.25 percent for savings and loans, trust companies and federally chartered savings banks) on net income in excess of $25,000.
***Kansas’ excise rate fell to 5.7 percent July 1, 2013.
****An additional 8 percent tax for off-premise sales (meant to be consumed off-premise) and 10 percent tax for on-premise sales (meant to be consumed on-premise) is levied.
*****Additional environmental and inspection fees
COMMON BUSINESS INCENTIVE PROGRAMS

- High Performance Incentive Program—Employers that pay above-average wages and have a strong commitment to skills development for their workers can receive a number of incentives through this program, including:
  - A 10 percent income tax credit for eligible capital investment at a company’s facility, with a carry-forward that can be used in any of the next 16 years in which the qualified facility qualifies for the program.
  - A sales tax exemption to use in conjunction with the company’s eligible capital investment at its qualified facility.
  - A training tax credit of up to $50,000.
  - Priority consideration for access to other business assistance programs.
- Rural Opportunity Zones—Fifty counties are designated as rural opportunity zones and offer one or both of the following to new full-time residents moving from out of state:
  - Kansas income tax waivers for up to five years; or
  - Student loan repayments up to $15,000.
- Energy Incentives—Kansas offers a number of energy-focused incentives, including the Crude Oil or Natural Gas Pipeline Tax Credit, the Refinery Tax Credit, the Biodiesel Fuel Producer Incentive, the Carbon Dioxide Capture/Sequestration Incentive, the Ethyl Alcohol Production Incentive, the Kansas Retail Dealers Incentive, the Waste Heat Utilization System Incentive, the Wind and Solar Bond Financing Incentive, the Alternative-Fuel Fuelling Station Tax Credit and the Alternative-Fueled Motor Vehicle Tax Credit.
- Workforce Development—The Department of Commerce has two workforce training programs to offset a company’s training costs. Companies creating new jobs may qualify for Kansas Industrial Retraining assistance. The state also offers the Kansas Industrial Retraining program to retrain a Kansas company’s existing workforce on new technology or production activities. Projects involving a Kansas Basic Industry—which includes manufacturing, distribution or regional/national service facilities—may qualify for these programs, which offer direct financial assistance to pay a negotiated portion of the costs to train a company’s employees.
- Promoting Employment Across Kansas—This program allows qualified companies that commit to creating five new jobs in nonmetropolitan counties or 10 new jobs in metropolitan counties over a two-year period to retain 95 percent of the payroll withholding tax of certain employees. The qualified company also must pay wages that meet or exceed the county median wage or North American Industry Classification System average wage for their industry.
- Machinery & Equipment Expensing Deduction—Eligible Kansas taxpayers are allowed to claim an expense deduction for business machinery and equipment placed into service in Kansas.
- Machinery and Equipment Property Tax Exemption—Commercial and industrial machinery and equipment acquired by qualified purchase or lease or transferred into the state is exempt from state and local property tax.
- Sales Tax Exemptions—Electricity, gas and water consumed during manufacturing, as well as all sales of manufacturing machinery and equipment, are exempt from the Kansas sales tax. A number of other items are exempt from sales tax, including labor and services used in original construction; tangible personal property that becomes an ingredient or component part of tangible personal property or services produced, manufactured or compounded for ultimate sale at retail either inside or outside of Kansas; purchases of animals, fowl and fish primarily used in agriculture; the production of food for human consumption; the production of animal, dairy, poultry or fish products, fiber or fur; and real and personal property financed with an industrial revenue bond.
- Research Tax Credit—Kansas offers an income tax credit to offset the cost of a company’s investment in research and development.

OVERSIGHT AND ACCOUNTABILITY MEASURES

The state’s primary incentive program—the High Quality Jobs Program—includes several oversight and accountability measures. In order to be eligible for incentives under the program, businesses must meet a number of baseline requirements, including job creation, wage threshold and benefit requirements, as well as a sufficient return on investment for the state, which is based on a calculated fiscal impact ratio. This fiscal impact ratio is calculated by dividing the projected state revenues by the total cost of offering the incentives and provides a single, quantifiable measure of the overall value to the state of a proposed project.

RECENT LEGISLATIVE HIGHLIGHTS

Kansas legislators in 2012 made a number of major changes to the state’s tax structure, including collapsing the number of individual income tax brackets, lowering individual income tax rates and passing a business income tax exemption that totally exempts certain nonwage business income that previously was subject to individual income taxes. In 2013, the legislature expanded the Rural Opportunity Zones program, which offers income tax waivers and student loan repayment for qualified residents of designated counties, from 50 to 73 counties.
ECONOMIC INDICATORS

PER CAPITA PERSONAL INCOME
- 2012: $46,277
- Percent of National Average: 108.0 percent
- Percent Change from 2011: 3.7 percent
- 2001-2011 Compound Annual Growth Rate: 3.1 percent

CURRENT DOLLAR GDP
- 2011: $281.7 billion
- U.S. Rank: 16

REAL GDP
- 2011 Growth Rate: 1.2 percent
- 2001-2011 Compound Annual Growth Rate: 1.4 percent

LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011
Real estate and rental and leasing (11.4 percent); finance and insurance (10.1 percent)

LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-11
Durable goods manufacturing (0.58 percentage points); finance and insurance (0.42 percentage points)

KEY TAX RATES

STATE INDIVIDUAL INCOME TAXES
- Tax Rate Range (percent)
  » Low: 5.35
  » High: 7.85
- Income Brackets*
  » Lowest: $24,270
  » Highest: $79,730
- Number of Tax Brackets: 3

CORPORATE INCOME TAX RATES
- Tax Rate: 9.8 percent
- Lowest Tax Bracket: Flat rate
- Highest Tax Bracket: Flat rate
- Number of Tax Brackets: Flat rate

EXCISE TAX RATES
- General Sales and Gross Receipts Tax: 6.875 percent
- Cigarettes: $1.23 per pack**
- Distilled spirits: $5.03 per gallon plus 1 cent/bottle (except miniatures) and 9 percent sales tax
- Motor Fuel Tax Rates (cents per gallon)***
  » Gasoline: 28.6
  » Diesel: 28.6
  » Gasohol: 28.6

* The income brackets reported are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $1,000 to $300,000.
** In addition, Minnesota imposes an in lieu of cigarette sales tax determined annually by the department. The current rate is 36.2 cents through Dec. 31, 2013.
*** Portion of the rate is adjustable based on maintenance costs, sales volume, cost of fuel to state government or inflation.
COMMON BUSINESS INCENTIVE PROGRAMS

- **SEED Capital Investment Program** — This program provides tax incentives for investing in innovative businesses located in certain Minnesota border cities.
- **Angel Tax Credit** — Qualified investors focused on high technology or new proprietary technology can receive a 25 percent individual income tax credit.
- **Small Business Development Loan Program** — The program provides a maximum of $5 million to any single business and generally requires that 20 percent of project costs be privately financed. Eligible companies include manufacturing and industrial businesses located or intending to locate in Minnesota that meet Small Business Administration size and eligibility standards.
- **The Minnesota Investment Fund** — Local governments receive grants and use the money to provide below-market rate loans to help companies in the industrial, manufacturing and technology-related industries to expand by purchasing land, machinery and equipment.
- **Partnership Program** — This program provides matching grants of up to $400,000 for training new and existing employees of participating businesses.
- **Research and Development Tax Credit** — The tax credit for research and development expenditures is 10 percent, up to the first $2 million in eligible expenses and 2.5 percent for eligible expenses above $2 million. Individuals involved in partnerships, S-corporations and limited liability companies are allowed to claim the credit against their individual income taxes.
- **Border Cities Enterprise Zone Program** — Qualifying businesses can receive business tax credits — property tax credits, debt financing credit on new construction, sales tax credit on construction equipment and materials, and new or existing employee credits if they are the source of investment, development and job creation or retention in the Border-Cities Enterprise Zone.
- **Tax-Free Development, known as JOBZ** — Qualified companies that expand or relocate into targeted regions outside the Twin Cities metropolitan area can receive local and state tax exemptions, including exemptions from: the corporate franchise tax, the sales tax on goods and services used in the zone and income tax exemptions on income generated by a business in the zone.
- **Sales Tax Exemption** — Purchasers of capital equipment for certain purposes may be eligible for a refund of the sales tax paid at the time of purchase. An exemption from sales and use tax is also allowed for purchases of equipment used for processing solid or hazardous waste at a resource recovery facility.
- **Film Production** — Snowbate, Minnesota’s film jobs production program, offers reimbursement of 15 to 20 percent of Minnesota production expenditures. The incentive is available to feature films, TV pilots, documentaries, post production and Internet programs.
- **Tax Increment Financing** — Cities and development authorities may use tax increment financing to help finance costs of real estate development. This program uses the increased property taxes that a new real estate development generates to finance up-front costs of the development.

OVERSIGHT AND ACCOUNTABILITY MEASURES

Minnesota statutes provide a mechanism for taxpayers to learn about state and local funds used for business subsidies and financial assistance. Under the law, local government agencies in communities with a population of more than 2,500 and state agencies with authority to grant subsidies must submit a report to the Department of Employment and Economic Development, regardless of whether they have awarded business subsidies. Local government agencies in communities with a population of 2,500 or less are exempt from filing the form unless they have been awarded a subsidy in the past five years. The department is required to complete a report that summarizes submitted business assistance forms every even-numbered year.

RECENT LEGISLATIVE HIGHLIGHTS

Minnesota’s legislature in its 2012 legislation session approved $47.5 million for competitive business development grants that will fund nine statewide economic development projects. These targeted investments will put an estimated 2,000 Minnesotans to work on projects of regional and statewide significance. The grant recipients were chosen from 90 applications with requests totaling $288 million.

In 2011, the legislature approved sales tax exemptions covering technology equipment, computer software and electricity used by a qualifying data center. This is an upfront exemption for electricity purchases, but is administered as a refund for the equipment and software. A qualified data center consists of at least 30,000 square feet with an initial investment of at least $50 million in a two-year period. The exemption expires July 1, 2042, and a facility can get this exemption only for the lesser of 20 years or until July 1, 2042. It is effective for sales and purchases between June 30, 2012, and July 1, 2042.
**ECONOMIC INDICATORS**

**PER CAPITA PERSONAL INCOME**
- 2012: $43,143
- Percent of National Average: 101.0 percent
- Percent Change from 2011: 1.6 percent
- 2002-2012 Compound Annual Growth Rate: 3.6 percent

**CURRENT DOLLAR GDP**
- 2011: $94.2 billion
- U.S. Rank: 36

**REAL GDP**
- 2011 Growth Rate: 0.1 percent
- 2001-2011 Compound Annual Growth Rate: 1.9 percent

**LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011**
Government (13.1 percent); finance and insurance (9.9 percent)

**LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-11**
Durable goods manufacturing (0.36 percentage points); health care and social assistance (0.3 percentage points)

**KEY TAX RATES**

**STATE INDIVIDUAL INCOME TAXES**
- Tax Rate Range (percent)
  - Low: 2.46
  - High: 6.84
- Income Brackets*
  - Lowest: $2,400
  - Highest: $27,001
- Number of Tax Brackets: 4

**CORPORATE INCOME TAX RATES**
- Tax Rate: 5.58-7.81 percent
- Lowest Tax Bracket: $100,00
- Highest Tax Bracket: —
- Number of Tax Brackets: 2

**EXCISE TAX RATES**
- General Sales and Gross Receipts Tax: 5.5 percent
- Cigarettes: $.64 per pack
- Distilled spirits: $3.75 per gallon
- Motor Fuel Tax Rates (cents per gallon)**
  - Gasoline: 25.5
  - Diesel: 24.9
  - Gasohol: 25.5

* For joint returns, taxes are twice the tax on half the couple’s income.
**Nebraska levies an additional petroleum fee; a portion of the rate is adjustable based on maintenance costs, sales volume, cost of fuel to state government or inflation.

**PROGRAM INFORMATION**
- Nebraska Department of Economic Development
- [http://www.neded.org/](http://www.neded.org/)
The Nebraska Advantage Package — This six tier benefits program — ranging from tier 1, $1 million in new investment and 10 new jobs, to tier 6, $10 million in new investment and 75 new jobs or $109 million in new investment and 50 new jobs — includes all or some of the following, depending on tier: sales tax refunds for qualified capital purchases at the project, use tax refund on project’s tangible personal property from the date of acquisition through the entitlement period, sliding scale wage credit, investment tax credit; and personal property tax exemption on turbine-powered aircraft, personal computer systems, agricultural product processing machinery and personal property used in a distribution facility.

Nebraska Advantage Research and Development Credit — Qualified research and development activities undertaken by a business entity for 21 years are eligible for a refundable tax credit.

Nebraska Advantage Microenterprise Tax Credit — Micro businesses, those with five or fewer employees, can receive a 20 percent refundable tax credit on increased compensation for employees or increased investment in targeted communities.

Rural Development Advantage — Under an amendment to the Employment Expansion and Investment Incentive Act (formerly LB 608) passed in 2003, qualified businesses can receive refundable tax incentives for projects that create two new jobs and invest $125,000 in counties with less than 15,000 residents.

Nebraska Customized Job Training Advantage — Companies that create qualified new jobs can receive grants from $800 to $4,000 for each new job from this flexible and discretionary job training program. Additional grant funds may be available for new jobs created in rural and high poverty areas.

Capital Gains and Extraordinary Dividend Exclusion — Employees can receive an exemption from state personal income tax on capital gains realized from selling or exchanging stock of the corporation for which they work.

Sales tax — Nebraska offers an exemption from state and local sales tax for manufacturing machinery, equipment and related services.

Nebraska’s business incentives are awarded post-performance. The Nebraska Department of Revenue performs a compliance audit to ensure that the applicable investment, employment and wage thresholds are met before any tax credits are awarded or used. It also checks to ensure application is for a qualified activity. The Department of Revenue performs periodic audits to ensure the levels of employment and investment have been maintained through the entitlement period. If these levels are not maintained, any credits earned during this period will be recaptured, along with any refunds that may have been issued during this period.

The legislature passed LB 104, which took effect June 6, 2013. Under this bill, a business that produces electricity for sale by using renewable energy resources may qualify for Nebraska Advantage incentive benefits. A renewable energy project may qualify for incentives with a minimum investment in qualified property of $20 million. Sources of renewable energy include, but are not limited to, wind, solar, geothermal, hydroelectric, biomass and transmutation of elements. Legislators in the 2012 session approved LB 1118, which expands The Nebraska Advantage Package by providing additional benefits for large data center projects.
**ECONOMIC INDICATORS**

**PER CAPITA PERSONAL INCOME**
- 2012: $51,893
- Percent of National Average: 122.0 percent
- Percent Change from 2011: 9.9 percent
- 2002-2012 Compound Annual Growth Rate: 6.7 percent

**CURRENT DOLLAR GDP**
- 2011: $40.3 billion
- U.S. Rank: 46

**REAL GDP**
- 2011 Growth Rate: 7.6 percent
- 2001-2011 Compound Annual Growth Rate: 4.7 percent

**LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011**
Government (12.5 percent); real estate and rental and leasing (10.5 percent)

**LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-11**
Mining (2.81 percentage points); real estate and rental and leasing (1.46 percentage points)

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**KEY TAX RATES**

**STATE INDIVIDUAL INCOME TAXES**
- Tax Rate Range (percent)
  - Low: 1.51
  - High: 3.99
- Income Brackets*
  - Lowest: $36,250
  - Highest: $398,350
- Number of Tax Brackets: 5

**CORPORATE INCOME TAX RATES**
- Tax Rate: 1.68-5.15 percent*
- Lowest Tax Bracket: $25,000
- Highest Tax Bracket: $50,001
- Number of Tax Brackets: 3

**EXCISE TAX RATES**
- General Sales and Gross Receipts Tax: 5.0 percent
- Cigarettes: $.44 per pack
- Distilled spirits: $2.50 per gallon **
- Motor Fuel Tax Rates (cents per gallon)
  - Gasoline: 23.0
  - Diesel: 23.0
  - Gasohol: 23.0

*The brackets are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from $60,650 to $398,350.

**North Dakota levies an additional 7 percent state sales tax.**
COMMON BUSINESS INCENTIVE PROGRAMS

- Partnership in Assisting Community Expansion—The PACE programs at the Bank of North Dakota are designed to encourage specific types of economic activity within the state by providing an interest buy-down that can reduce the borrower’s rate of interest by as much as 5 percent.
- North Dakota Development Fund—This fund provides flexible gap financing through debt and equity investments for new or expanding North Dakota primary sector businesses.
- Business Development Loan Program—This program assists new and existing businesses in obtaining loans that have a higher degree of risk than would normally be acceptable to a lending institution. The maximum limit is $1 million per project. Proceeds can be used for working capital, equipment and real property or refinancing.
- Sales and Use Tax Exemptions—Companies can qualify for a number of exemptions, including manufacturing machinery and equipment, construction materials, and computer and telecommunications equipment.
- Income Tax Exemption—A primary sector or tourism business may qualify for an income tax exemption for up to five years.
- New Venture Capital Fund—New or expanding businesses in the state can receive flexible financing through debt and equity investments.
- Main Street Loan Program—Loans up to $24,999 may be available from the Dakota Certified Development Corporation in participation with a local lender or economic development organization for small businesses looking to expand or start a new business.
- Beginning Entrepreneur Loan Guarantee Program—This program assists in business startup financing by providing a financial institution with guaranty of a loan not to exceed $200,000. Loans may be used to finance the purchase or improvement of real property, equipment or personal property, or working capital needs.
- Beginning Farmer Farm Loans—The Bank of North Dakota may make direct loans to beginning farmers for the purchase of farm real estate, equipment and livestock.
- Agricultural Commodity Processing Facility Investment Tax Credit—Investments in an agricultural commodity processing facility in North Dakota certified by the Department of Commerce Division of Economic Development and Finance will be eligible for an income tax credit.
- Angel Fund Investment Tax Credit—Investments in an angel fund incorporated in North Dakota may be eligible for an income tax credit.
- Internship Employment Credit—An individual, estate, trust, partnership, corporation or limited liability company is allowed an income tax credit for employing an individual under an internship program located in North Dakota.
- Microbusiness Income Tax Credit—New investment and new employment in a microbusiness in North Dakota that creates new income or jobs may be eligible for an income tax credit.
- Personal Property Tax Exemption—North Dakota exempts all personal property from property taxes except that of certain oil and gas refineries and utilities.
- Business Property Tax Exemptions—Any new or expanding business project may be granted a property tax exemption for up to five years.
- Renaissance Zones—Businesses and individuals may qualify for one or more tax incentives for purchasing, leasing or making improvements to real property located in a North Dakota renaissance zone, which is a designated area within a city that is approved by the Department of Commerce Division of Community Services.
- Research Expense Credit—This income tax credit is available for conducting research in North Dakota that is equal to a percentage of the excess of qualified research expenses in North Dakota.
- Seed Capital Investment Credit—This income tax credit is available for investing in a business certified by the Department of Commerce Division of Economic Development and Finance.
- Wage and Salary Credit—A corporation doing business in North Dakota for the first time may take an income tax credit equal to 1 percent of wages and salaries paid during the tax year for each of the first three years of operation and 0.5 percent of wages and salaries paid during the tax year for the fourth and fifth years.
- Workforce Recruitment Credit—This income tax credit is available for extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota equal to 5 percent of the compensation paid during the first 12 consecutive months to the employee.
- North Dakota New Jobs Training Program—Primary sector businesses can receive funding to help offset the cost of training new employees for business expansion and/or startup.
- Workforce 20/20—This program assists employers that provide retraining and upgrade training to support the introduction of new technologies and methods into the workplace. The funding is provided for current workers and new employees.

OVERSIGHT AND ACCOUNTABILITY MEASURES

The North Dakota legislature in 2005 established the Business Incentive Accountability Law. Before a business can receive certain incentives, it must enter into a business incentive agreement with the granting agency. This business incentive agreement covers the terms of the incentive, including a statement of public purposes of the business incentive, goals for the business incentive, a description of the financial obligation if goals are not met, a commitment of the recipient to stay for five years and a list of all financial assistance for the project. All North Dakota state agencies and political subdivisions that grant business incentives must abide by this law. State grantors must file annual reports with the North Dakota Department of Commerce containing information about all business incentives granted within the past year and progress made toward job creation goals of previously granted business incentives. Political subdivisions must create annual reports and provide them to anyone who requests them. The North Dakota Department of Commerce provides to the legislature an annual compilation and summary of all state-granted business incentives, which is made available to the public.

RECENT LEGISLATIVE HIGHLIGHTS

Last year, the legislature added an automation tax credit through 2015 that provides an income tax credit for purchasing machinery and equipment for the purposes of automating a manufacturing process in North Dakota. The credit is equal to 20 percent of the cost of the machinery and equipment approved by the Department of Commerce Division of Economic Development and Finance. To be eligible for the credit, the business must be certified by the division as a primary sector business. The total credits allowed for all qualifying purchases by all taxpayers are limited to $2 million in any calendar year.
ECONOMIC INDICATORS

PER CAPITA PERSONAL INCOME
- 2012: $39,289
- Percent of National Average: 92.0 percent
- Percent Change from 2011: 3.8 percent
- 2002-2012 Compound Annual Growth Rate: 2.8 percent

CURRENT DOLLAR GDP
- 2011: $484.0 billion
- U.S. Rank: 8

REAL GDP
- 2011 Growth Rate: 1.1 percent
- 2001-2011 Compound Annual Growth Rate: 0.0 percent

LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011
Government (11.5 percent); real estate and rental and leasing (10.3 percent)

LARGEST INDUSTRY CONTRIBUTORS TO NEGATIVE GDP GROWTH, 2010-11
Durable goods manufacturing (0.42 percentage points); professional, scientific and technical services (0.30 percentage points)

PROGRAM INFORMATION
- Ohio Development Services Agency
- http://development.ohio.gov/

KEY TAX RATES

STATE INDIVIDUAL INCOME TAXES
- Tax Rate Range (percent)
  » Low: 0.587
  » High: 5.925
- Income Brackets*
  » Lowest: $5,200
  » Highest: $208,500
- Number of Tax Brackets: 9

CORPORATE INCOME TAX RATES
- Tax Rate: *see note

EXCISE TAX RATES
- General Sales and Gross Receipts Tax: 5.5 percent
- Cigarettes: $1.25 per pack
- Distilled spirits: **see note
- Motor Fuel Tax Rates (cents per gallon)***
  » Gasoline: 28.0
  » Diesel: 28.0
  » Gasohol: 28.0

*Ohio no longer levies a tax based on income, except for a particular subset of corporations; instead, it imposes a commercial activity tax equal to $150 for gross receipts in Ohio of between $150,000 and $1 million, plus 0.26 percent of gross receipts more than $1 million. Banks continue to pay a franchise tax of 1.3 percent of net worth. For those few corporations on which the franchise tax on net worth or net income still applies, a litter tax also applies.

**In Ohio, the government directly controls the sales of distilled spirits. Revenue is generated from various taxes, fees, price markups and net liquor profits.

***Additional 3 cents per gallon commercial.
COMMON BUSINESS INCENTIVE PROGRAMS

- **Research and Development Sales Tax Exemption** — Companies that purchase equipment for research and development activities can receive an exemption from the usual state and county sales tax.
- **Targeted Investment Program** — This program supports the growth and expansion of targeted small businesses in Ohio’s manufacturing, technology and logistics industries that have received first or second round equity funding. It also offers debt financing at or below market interest rates tailored to the specific needs of the company.
- **Technology Investment Tax Credit Program** — Ohio taxpayers who invest in small, research and development, and technology-oriented firms are eligible for tax reductions.
- **Qualified Energy Project Tax Exemption** — Ohio promotes the deployment of alternative energy sources by allowing energy facilities to pay a fixed annual payment in lieu of the public utility tangible personal property tax and the real property tax for the life of the facility.
- **Alternative Fuel Transportation Program** — Businesses, nonprofit organizations, school districts and local governments can receive financial assistance for the purchase and installation of alternative fuel refueling, blending or distribution facilities and terminals.
- **Conversion Facilities Tax Exemption** — Property used in energy conservation, thermal-efficiency improvements and the conversion of solid waste to energy can receive an exemption for property state sales and use taxes.
- **Ohio Motion Picture Tax Incentive** — Motion pictures produced in Ohio are eligible for a refundable credit against the corporation franchise or income tax.
- **Ohio Enterprise Zone Program** — Businesses that expand or locate in certain designated zones are eligible for real property tax incentives.
- **Ohio Minority Business Bonding Program** — State certified minority-owned businesses that are unable to obtain bonding through standard surety companies can receive bid, performance and payment surety bonds.
- **Ohio Minority Business Direct Loan Program** — Certified minority-owned businesses that are purchasing or improving fixed assets and creating or retaining jobs are eligible for fixed, low-interest rate loans.
- **Ohio New Markets Tax Credit Program** — Investors can receive state tax credits in exchange for delivering below-market-rate investment options to Ohio businesses in low-income communities.
- **Ohio Vacant Facilities Fund** — Businesses can receive grants to create new jobs in vacant and underutilized commercial buildings and business parks.
- **Regional 166 Direct Loan** — Eligible businesses can receive low-interest loans for land and building acquisition, construction, expansion or renovation and equipment purchases through this program administered by local economic development agencies. Eligible projects include those related to industry, commerce and distribution or research activities.
- **Research and Development Investment Tax Credit** — Ohio’s corporations are encouraged to invest in increased research and development activities to receive a nonrefundable tax credit against the commercial activity tax.
- **Ohio Capital Access Program** — This program encourages lending to businesses creating or retaining jobs by establishing a unique credit enhancement reserve account at participating Capital Access Program lenders. The state, the lender and the business each make a small contribution to the account. The reserve account is available to the lender for recovery of losses associated with any loan the lender has enrolled in the program.
- **InvestOhio** — Investors that infuse new equity into Ohio small businesses to acquire an ownership interest in the company can receive a nonrefundable personal income tax credit.
- **Ohio Third Frontier** — This program provides several funding options to Ohio technology-based companies, universities, nonprofit research institutions and other organizations to create new technology-based products, companies, industries and jobs, from the startup phase through commercialization and retention.

OVERSIGHT AND ACCOUNTABILITY MEASURES

All economic development incentives managed by the state have an annual reporting requirement. Participating businesses file their annual reports electronically and the applicable data get integrated into a comprehensive database to determine compliance. This process allows the Ohio Development Services Agency to track the status of projects and have a real-time view of a project’s compliance with its commitments to payroll, jobs, investment, wages and operations maintenance. The Ohio Development Services Agency makes remedial action determinations on a continual basis and communicates them to the company in advance of the implementation. All tax incentives are governed by statute, which also determines if a company is eligible for the tax credit program. The program is performance-based and companies receive credits only upon creation of new jobs. The statute also states the clawback rates that apply in different scenarios.

RECENT LEGISLATIVE HIGHLIGHTS

Senate Bill 1 and House Bill 1, identical bills passed in 2013, were designed to enhance workforce development efforts in Ohio by providing $25 million from casino licensing fees for the Ohio-MeansJobs Workforce Development Revolving Loan Fund. Senate Bill 112 provides for the extension of the Enterprise Zone Program for an additional two years. The program is now authorized through Oct. 15, 2015. Ohio’s recently passed state budget included a number of provisions designed to boost economic activity in Ohio by providing incentives to entrepreneurs to start and expand new businesses, and to attract existing businesses to relocate to Ohio. For example:
- Ohio small businesses will be entitled to take a 50 percent tax deduction on
  - the first $250,000 of business income.
  - An expanded Alternative Fuel Transportation Loan Program is designed to take advantage of Ohio’s new shale gas development.
  - A redesigned Minority Business Development Division with an expanded Minority Business Loan Program now includes the ability to provide loans for contract financing.
  - The Ohio Incumbent Workforce Training Fund will receive $30 million in appropriations each year of the biennium.
  - The sales and use tax exemption now allows for a single agreement authorizing a sales and use tax exemption on purchases of equipment by multiple businesses operating in a single data center.
ECONOMIC INDICATORS

PER CAPITA PERSONAL INCOME
- 2012: $43,659
- Percent of National Average: 102.0 percent
- Percent Change from 2010: -1.3 percent
- 2001-2011 Compound Annual Growth Rate: 4.5 percent

CURRENT DOLLAR GDP
- 2011: $40.1 billion
- U.S. Rank: 47

REAL GDP
- 2011 Growth Rate: 0.8 percent
- 2001-2011 Compound Annual Growth Rate: 2.2 percent

LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011
Finance and insurance (15.5 percent); government (12.7 percent)

LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-11
Durable goods manufacturing (0.55 percentage points); real estate and rental and leasing (0.23 percentage points)

KEY TAX RATES

STATE INDIVIDUAL INCOME TAXES
- No state individual income tax

CORPORATE INCOME TAX RATES
- No state corporate income tax

EXCISE TAX RATES
- General Sales and Gross Receipts Tax: 4 percent
- Cigarettes: $1.53 per pack
- Distilled spirits: $3.93 per gallon plus an additional 93 cents per gallon if under 14 percent alcohol
- Motor Fuel Tax Rates (cents per gallon)*
  » Gasoline: 24.0
  » Diesel: 24.0
  » Gasohol: 24.0

*Additional inspection fee. Rate expressed here does not include local option taxes of 1 cent per gallon.

PROGRAM INFORMATION

- Governor’s Office of Economic Development
- http://www.sdreadytowork.com/
Reinvestment Payment Program — The only tax incentive program for new and expanding businesses administered by the state, this program may provide reinvestment payments to assist companies in offsetting the upfront costs associated with relocating or expanding operations and/or upgrading equipment in South Dakota. The program allows for project owners to receive a reinvestment payment, not to exceed the South Dakota sales and use tax paid on project costs, for new or expanded facilities with project costs in excess of $20 million or for equipment upgrades with project costs in excess of $2 million.

Revolving Economic Development and Initiative Fund — This low-interest loan fund available to startup firms and businesses that are expanding or relocating provides permanent financing for the purchase of land and associated site improvements, construction, acquisition, renovations of buildings and equipment. The loan amount is based on estimated job creation and total project costs, with wage and benefit requirements.

Economic Development Finance Authority — The authority provides financing through a Pooled Bond Program, which is designed for more capital-intensive projects and provides small businesses access to the public bond market through the issuance of tax-exempt bonds.

South Dakota Works — This program offers business/commercial loans to businesses needing working capital. Eligible uses of these loans include startup costs, working capital, payroll and construction needs on new buildings.

APEX Loan Program — Designed to assist companies in communities with a population of 25,000 or less, this program provides a loan of up to $237,500 to for-profit businesses and some nonprofit businesses to purchase land or equipment, or to buy or renovate a building.

South Dakota Microloan — This financing program offers businesses access to working capital. Local banks must fund at least 50 percent of the project costs, while the state may fund up to 50 percent—or $100,000—of the project costs.

Workforce Development Training Grant — Through matching grants, this program funds industry/education partnerships. The program supports both new and current employee training.

New South Dakotans Initiative — This initiative provides half the cost of employee recruitment for certain high-need, high-impact industries in South Dakota.

Dakota Seeds — This program provides matching grants for wages paid to interns and assistantships, which cover up to one-half of the wages for new positions with graduating maximums for undergraduate, master’s degree and doctoral students.

State regulations require each department administering funds from the Building South Dakota Fund to report annually to the Government Operations and Audit Committee about the operations and results of the Building South Dakota Fund. Additionally, financing packages and financial or tax incentive provided to companies in South Dakota are public records and made readily available online.

South Dakota Republican and Democrat leadership worked together during the 2013 legislative session to formulate a comprehensive economic development package with built-in safeguards to ensure fiscal responsibility, transparency and accountability. The multi-faceted approach set forth in Senate Bill 235 focuses on education, housing, infrastructure, local economic development efforts, and large and small project needs.

One component of the legislation provides for the Board of Economic Development to approve discretionary reinvestment payments, up to the amount of sales and use tax paid on project costs, for new or expanded facilities with a total project cost in excess of $20 million, and for equipment upgrades with a total project cost in excess of $2 million. The legislation also created the Building South Dakota Fund, which is funded by unclaimed property receipts, in addition to the contractor’s excise tax collected by the Department of Revenue on projects in excess of $20 million that are approved to receive a reinvestment payment. The fund allocates money for the Workforce Education Fund, the Local Infrastructure Improvement Grant Fund, the Economic Development Partnership Fund, and the Revolving Economic Development and Initiative Fund.
**WISCONSIN**

**ECONOMIC INDICATORS**

**PER CAPITA PERSONAL INCOME**
- 2012: $40,537
- Percent of National Average: 95.0 percent
- Percent Change from 2010: 2.4 percent
- 2002-2012 Compound Annual Growth Rate: 2.8 percent

**CURRENT DOLLAR GDP**
- 2011: $254.8 billion
- U.S. Rank: 21

**REAL GDP**
- 2011 Growth Rate: 1.1 percent
- 2001-2011 Compound Annual Growth Rate: 1.0 percent

**LARGEST INDUSTRY CONTRIBUTORS TO GDP IN 2011**
Durable goods manufacturing (11.5 percent); real estate and rental and leasing (10.8 percent)

**LARGEST INDUSTRY CONTRIBUTORS TO GDP GROWTH, 2010-2011**
Durable goods manufacturing (0.8 percentage points); nondurable goods manufacturing (0.30 percentage points)

**KEY TAX RATES**

**STATE INDIVIDUAL INCOME TAXES**
- Tax Rate Range (percent)
  - Low: 4.6
  - High: 7.75
- Income Brackets*
  - Lowest: $10,750
  - Highest: $236,600
- Number of Tax Brackets: 5

**CORPORATE INCOME TAX RATES**
- Tax Rate: 7.9 percent
- Lowest Tax Bracket: Flat rate
- Highest Tax Bracket: Flat rate
- Number of Tax Brackets: 1

**EXCISE TAX RATES**
- General Sales and Gross Receipts Tax: 5.0 percent
- Cigarettes: $2.52 per pack
- Distilled spirits: $3.25 per gallon plus an additional 11 cents per gallon administrative fee
- Motor Fuel Tax Rates (cents per gallon)**
  - Gasoline: 32.9
  - Diesel: 32.9
  - Gasohol: 32.9

* Income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from $14,330 to $315,460.
**Additional petroleum inspection fee.
COMMON BUSINESS INCENTIVE PROGRAMS

- **Relocated Business Tax Credit or Deduction** — Businesses that relocate to Wisconsin may be eligible for an income tax holiday if they have not done business in the state during the two previous taxable years. They may not have to pay any corporate or pass-through income taxes for a two-year period.
- **Enterprise Zone Program** — This program offers tax credits to a business startup or expansion in any area of the state that suffers from high unemployment, declining income and property values, and other indicators of economic distress.
- **Manufacturing and Agriculture Credit** — This tax credit is available for income derived from manufacturing or agricultural property located in Wisconsin and offsets a significant share of Wisconsin income taxes.
- **Economic Development Tax Credits** — Tax credits are allocated for the creation or retention of full-time jobs and are based on the wage range of the jobs, number of jobs to be created or retained, capital investment made by the business and training costs for new or current employees.
- **Training Grants** — These grants assist businesses in workforce retention and expansion into new markets and technology by providing funds to businesses to upgrade or improve the job-related skills of full-time employees.
- **Rural Economic Development Program** — This program makes individual awards up to $30,000 for feasibility studies and other professional assistance to rural businesses with fewer than 25 employees. Businesses that have completed feasibility evaluations are eligible for micro loans up to $25,000 for working capital and the purchase of equipment.
- **Qualified New Business Venture Program** — This program provides tax credits to eligible investors that make cash equity investments in qualified early-stage businesses.
- **Job Creation Deduction** — A subtraction from federal income—for tax calculation purposes—is allowed based on the increase in the number of full-time equivalent employees that are employed in Wisconsin during the taxable year.
- **Property Tax Exemption** — This exemption is available for machinery and equipment used in manufacturing, as well as for computers, software and electronic peripheral equipment.
- **Direct Funding Loans** — The Wisconsin Economic Development Corporation provides loans with flexible terms to businesses based on the overall economic benefit of the business to the local community, the significance of the capital investment, the number and quality of full-time jobs that are likely to be retained or created as a result of the project, the financial viability of the business and other factors.
- **Sales and Use Tax Exemptions** — Wisconsin provides exemptions for the purchase of manufacturing machinery and equipment, manufacturers’ materials, fuel and electricity used in manufacturing and pollution abatement, waste treatment and recycling equipment. In addition, the state provides exemptions targeted at specific industries, including meatpacking, printing, newspapers, logging and motion pictures.
- **Global Business Development Grant Program** — Wisconsin businesses can be eligible for matching grant funds for executing their medium- to long-term export strategies.
- **Capital Catalyst Program** — This program provides seed grants ranging from $100,000 to $250,000 to organizations or communities, business creation partners, that have existing seed funds in place or the ability to create such funds.

OVERSIGHT AND ACCOUNTABILITY MEASURES

The legislature in 2008 enacted Wisconsin Act 125 to improve accountability, efficiency and transparency in the administration of state economic development programs. The act requires agencies that administer economic development programs to establish goals and accountability measures for each program and to report to the legislature annually on the economic development programs and activities administered during the previous fiscal year. The state established a website, the Interactive Project Data page, to make information available regarding award-specific data, including information on the amount and recipient of each award made during the previous fiscal year, the location and industry classification of each award recipient, and the activity or activities the recipient is contractually required to complete, such as creating, retaining or training a certain number of employees or expending a certain amount of funds for capital investment.

RECENT LEGISLATIVE HIGHLIGHTS

Wisconsin’s 2013-14 biennial budget lifted the lifetime cap on state angel investment tax credits, which, prior to 2013, had been capped at $47.5 million. In addition, the budget added $36 million in economic development tax credits and created a $25 million capital investment program designed to encourage business startups.
## APPENDIX A GDP AND PERSONAL INCOME

<table>
<thead>
<tr>
<th>State</th>
<th>Current Dollar GDP (millions of dollars)</th>
<th>National Rank</th>
<th>Real GDP Percent Change, 2011-2012*</th>
<th>Per Capita Personal Income</th>
<th>Percent of National Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$15,566,077</td>
<td>n.a.</td>
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<td>$42,693</td>
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*Advance Statistics

## APPENDIX B  UNEMPLOYMENT AND LABOR FORCE PARTICIPATION

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<th>State</th>
<th>May 2013 Rate* (percent)</th>
<th>Change from May 2012 (percentage points)</th>
<th>Labor Force Participation Rate (percent)</th>
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*Seasonally-adjusted, preliminary data

# Appendix C - State Tax Incentives, 2012

| State               | Corporate Income Tax Exemption | Personal Income Tax Exemption | Exemption of Moratorium on Land, Capital Improvements | Exemption of Moratorium on Equipment, Machinery | Inventory Tax Exemption on Goods in Transit | Tax Exemption on Manufacturer's Inventories | Sales and Use Tax Exemption on New Equipment | Tax Exemption on Raw Materials Used in Manufacturing | Tax Incentive for Creation of Jobs | Tax Incentive for Industrial Investment | Tax Credits for Use of Specified State Products | Tax Exemption to Encourage Research and Development | Accelerated Depreciation of Industrial Equipment |
|---------------------|--------------------------------|-----------------------------|------------------------------------------------------|-------------------------------------------------|---------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------|--------------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| Alabama             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Alaska              |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Arizona             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Arkansas            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| California          |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Colorado            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Connecticut         |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Delaware            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Florida             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Georgia             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Hawaii              |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Idaho               |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Illinois            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Indiana             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Iowa                |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Kansas              |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Kentucky            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Louisiana           |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Maine               |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Maryland            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Massachusetts       |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Michigan            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Minnesota           |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Mississippi         |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Missouri            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Montana             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Nebraska            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Nevada              |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| New Hampshire        |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| New Jersey           |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| New Mexico           |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| New York             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| North Carolina       |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| North Dakota         |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Ohio                |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Oklahoma            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Oregon              |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Pennsylvania        |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Rhode Island        |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| South Carolina       |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| South Dakota        |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Tennessee           |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Texas               |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Utah                |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Vermont             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Virginia            |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Washington          |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| West Virginia       |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Wisconsin           |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| Wyoming             |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
| State Totals        | 41                              | 39                          | 28                                                   | 40                                              | 45                                           | 49                                             | 48                                            | 49                                              | 50                                             | 47                                           | 46                                             | 7                                              | 13                                            | 42                                            | 41                                            |
| Puerto Rico         |                                |                             |                                                      |                                                 |                                             |                                               |                                              |                                                                                                                                 |                                               |                                                  |                                                  |                                                  |                                                  |                                                 |
### APPENDIX D  STATE FINANCIAL INCENTIVES, 2012

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<th>Privately Sponsored Development Credit Corporation</th>
<th>State Authority or Agency Revenue Bond Financing</th>
<th>State Authority or Agency General Obligation Bond Financing</th>
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<th>State Loans for Equipment, Machinery</th>
<th>State Loan Guarantees for Building Construction</th>
<th>State Loan Guarantees for Equipment, Machinery</th>
<th>State Financing Aid for Existing Plant Expansion</th>
<th>State Matching Funds for City and/or County Industrial Financing Programs</th>
<th>State Incentive for Establishing Industrial Plants in Areas of High Unemployment</th>
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