

New York State Economic Development Incentives

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NYS Economic Development Incentives

- Five primary programs:
 - Start-Up NY Program;
 - Excelsior Jobs Program;
 - Industrial Development Agency (IDA) Benefits;
 - Brownfield Cleanup Program; and
 - ReCharge NY Program
- Other Empire State Development Corporation incentives may be available depending on the nature and/or importance of the project to ESD and the Governor.

2



Start-Up NY Program

3



Start-Up NY Program

- Benefits
 - Tax benefits for 10 years:
 - No income or franchise tax on business income (“tax elimination credit”);
 - No sales and use tax;
 - No real estate transfer tax; and
 - No income tax on wages paid to **net new employees** (“employee wage exclusion”), subject to employee income limits during second 5 years.
- Property tax exemption only if located on land owned by sponsoring college or university.

4



Start-Up NY Program

- Eligibility
 - To qualify for the program, a business must:
 - Be located in a “**Tax-Free NY Area**”;
 - Be approved by a sponsoring college or university and by NYS Department of Economic Development;
 - Create and maintain “**net new jobs**” in the Tax-Free NY Area;
 - Meet annual employment test; and
 - Meet other eligibility criteria.

5



Start-Up NY Program

Tax-Free NY Area

- College or university must apply to Department of Economic Development for designation of specific land/buildings/space as a Tax-Free NY Area.
 - Primarily vacant space (land or buildings) located on campus.
 - Schools are in process of identifying space and submitting plans to the Department for approval.
- Incubators and other “Strategic State Assets” may also be designated as Tax-Free NY Areas.

6



Start-Up NY Program

- Off-campus land or buildings, not owned by sponsoring school, may be designated a Tax-Free NY Area, if the school shows that the land or space is consistent with Program requirements.
 - Limited to 200,000 square feet for each SUNY and Community College; schools may pool space.
 - No express limit on off-campus space for private schools, but total Tax-Free NY Area for all Upstate NY private schools is limited to 2.4 million square feet.
- Typically, the business will lease land or space from sponsoring school.
- Available space is listed on Start-Up NY website.

7



Start-Up NY Program

Must Create Net New Jobs

- “Net New Jobs” means jobs that are:
 - (a) new to the State;
 - (b) not resulting from acquisition of another business in the State;
 - (c) not filled by an individual employed within NY by a related party within prior five years;
 - (d) full-time or FTE totaling 35 hours per week; and
 - (e) filled for more than six months each year in which benefits are claimed.

8



Start-Up NY Program

Annual Employment Test

- Average number of employees in NY during each year must equal or exceed the sum of:
 - average number of employees during the year preceding the year in which business first applied for program (“Base Year”), plus
 - the number of net new jobs in the Tax-Free NY Area during the year.
- In other words, employment outside the Tax-Free NY Area cannot decrease below Base Year number.

9



Start-Up NY Program

Approval Process/Eligibility Criteria

- Business applies to sponsoring school, who must approve and submit to Department for its approval.
- Business mission and activities must align with or further the school's academic mission, and must have positive community and economic benefits.
 - Consistency with sponsoring school's Tax-Free NY Area plan may not be essential. Plan can be modified.

10



Start-Up NY Program

- Business involvement with sponsoring school may include:
 - Funding scholarships, facilities, or other academic services, etc.
 - Internships, experiential learning opportunities, or full-time jobs.
 - Teaching courses, seminars, or student mentoring.
 - Using company resources, intellectual property or expertise to support the academic mission.

11



Start-Up NY Program

Other Selected Eligibility Criteria

- Business cannot operate in a prohibited industry, such as retail, wholesale, restaurants, law, accounting, medical practice, among others.
- Business must be new to New York, unless Commissioner determines business will create net new jobs and has not eliminated other New York jobs in connection with expansion.
- Sponsor cannot accept application from a business that would compete with other businesses in same census tract or contiguous tracts.
 - ESD representative indicated they will be very flexible in applying this rule.

12



Excelsior Jobs Program

13



Excelsior Jobs Program

Benefits

- Tax benefits for 10 years:
 - Jobs Tax Credit – 6.85% of gross wages paid to net new jobs.
 - Investment Tax Credit – 2% of tax basis of depreciable property.
 - R&D Tax Credit – 50% of federal R&D credit.
 - Real Property Tax Credit – must be “Regionally Significant Project” or located in “Investment Zone”.
 - 50% exemption in year 1, declining by 5% per year.
- Tax credits are all fully refundable.
- Possible gas and electric rate discounts.

14



Excelsior Jobs Program

Eligibility

- Project must be either:
 1. “Regionally Significant”, or
 2. “Strategic Industry” and create specified number of net new jobs for the industry.
- Department of Economic Development must approve for admission into the program.
 - Will issue a preliminary schedule of 10 year benefits
- Department will issue Certificate of Tax Credit each year, specifying amount of credit for the year (based on actual employment and investment information provided by participant).

15



Excelsior Jobs Program

Eligibility

- Job Growth Track – must add net new jobs.
- Investment Track – must retain jobs, and meet a benefit/cost ratio.

16



Excelsior Jobs Program

Job Growth Track

<u>Strategic Industry</u>	<u>Minimum Net New Jobs</u>
Scientific R&D	5
Software Development	5
Agriculture	5
Manufacturing	10
Financial Services	50
Back Office	50
Distribution	75
Other	N/A

17



Excelsior Jobs Program

Job Growth Track

Regionally Significant Projects

<u>Industry</u>	<u>Minimum Net New Jobs</u>	<u>Minimum Investment</u>
Scientific R&D	20	\$6,000,000
Software Development	N/A	N/A
Agriculture	20	\$500,000
Manufacturing	50	\$5,000,000
Financial Services	300	\$6,000,000
Back Office	300	\$6,000,000
Distribution	300	\$30,000,000
Other	300	\$6,000,000

18



Excelsior Jobs Program

Investment Track

- Firms in Strategic Industries who retain at least 25 employees (10 for manufacturing firms)
 - New jobs not required
- Minimum Benefit/Cost Ratio = 10:1
- Benefit/Cost Ratio:
 - Total capital investment plus wages and benefits for net new jobs must be ten times the amount of Excelsior tax credits

19



Excelsior Jobs Program

Approval by NYS Department of Economic Development

- Factors supporting admission into program include:
 - substantial renovation of a contaminated, abandoned or underutilized facility;
 - use of energy-efficient measures;
 - location in an economically distressed area;
 - financial viability, readiness and likelihood of project completion;
 - estimated return on State's investment;
 - overall economic impact on region;
 - likelihood that project would locate outside New York; and
 - recommendation of local Regional Economic Development Council.

20



Industrial Development Agency Benefits

21



Industrial Development Agency Benefits

- Sales tax exemption for project-related purchases (construction materials, FF&E).
- Mortgage recording tax exemption.
- Real property tax exemption (PILOT Agreement).
- Tax-exempt financing, for projects meeting federal tax requirements (e.g., small manufacturing; solid waste disposal).
 - Local Development Corporations (LDC), affiliated with IDAs, may provide tax-exempt financing for 501(c)(3) organizations.

22



Industrial Development Agency Benefits

Case Study: ABC Manufacturing Co.

\$13 million manufacturing facility; \$10 million bond - financed

IDA Benefits:

Sales tax exemption*	\$ 376,000
Mortgage tax exemption	100,000
Property tax exemption (10 yr PILOT)	<u>530,000</u>
Total	<u>\$ 1,006,000</u>

Other Economic Development Incentives:

- Empire State Development grant

* Company also received statutory sales tax exemption for production equipment which is exempt under NY law (not limited to IDA projects)

23



Industrial Development Agency Benefits

Case Study: ABC Manufacturing Co.

\$13 million manufacturing facility; \$10 million bond - financed

- \$10 million tax exempt bonds
- Variable rate (weekly reset; 27 year amortization)

Interest rate (weekly rate @ 12/31/09 closing date)	0.35%
Letter of Credit fee	0.75%
Remarketing Agent fee	<u>0.10%</u>
“All-in” tax-exempt interest cost	<u>1.20%</u>

24



Brownfield Program

25



Brownfield Program

Tax Credits

- All tax credits are fully refundable.
- Site Preparation Credit: 22% - 50% of cleanup costs, depending on level of cleanup.
- Groundwater Remediation Credit: same as Site Preparation Credit percentages.

26



Brownfield Program

Tax Credits

- Tangible Property Credit: 10% (or 12% for corporations) of the cost of depreciable property (buildings, equipment, etc.) placed in service on the Brownfield site, for up to **ten years** after the COC is issued.
- Tangible Property Credits are capped:
 - (a) Manufacturing: lesser of \$45,000,000 or six times cleanup costs; or
 - (b) Other Uses: lesser of \$35,000,000 or three times cleanup costs (2008 amendments).

27



Brownfield Program

General Requirements

- Must be party to a Brownfield Cleanup Agreement (“BCA”) with NYSDEC.
- Must be issued a Certificate of Completion (“COC”).
- Only costs incurred after the BCA has been executed are eligible for tax credits.
- Credits are claimed after COC is issued, when property is placed in service.
- COC is transferrable to purchasers of the site.
- Sunset Date: Dec. 31, 2015 (COC must be issued).
 - Governor’s 2014 budget proposal extends program 10 years, but limits eligibility and reduces credits.

28



ReCharge NY (“RNY”) Program

29



ReCharge NY (“RNY”) Program

- Formerly “Power For Jobs”.
- Provides low cost power to businesses that create jobs in New York.
- RNY power contracts may continue for up to seven years.
- Competitive application process.

30



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