ILLINOIS

DEPARTMENT OF COMMERCE & ECONOMIC OPPORTUNITY

State Business Incentives: A Comparative Analysis

Prepared by Department of Commerce and Economic Opportunity

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CORE DRIVERS OF ECONOMIC GROWTH

While incentives provide a critical set of tools for economic development, it is important to note that the **core drivers for economic growth are investments in human capital, physical infrastructure, and technological innovation** which together unleash the economic engine of the private sector. In addition, **access to markets (geography) and culture** play a significant role in location and expansion decisions.

Illinois is uniquely positioned in these areas to spur business attraction and expansion:

- We sit at the **junction of all transportation networks** serving North American commerce.
- Illinois boasts a workforce with world class **educational attainment levels and skill sets**
- Illinois is the **headquarters for 32 Fortune 500 companies**, more than twice the total of Indiana and Wisconsin combined.

ROLE OF INCENTIVES

Competition to attract companies amongst states and throughout the world has increased dramatically and states are increasingly responding to this competition by employing tools to directly incent company location and expansion.

In this context, **incentives can play a critical role in supporting Illinois' natural advantages**. The **most effective incentives are performance-based** in their delivery of job creation and wage improvement and are designed in parallel to increase investment in human capital and physical infrastructure.

Incentives used in this fashion **will bolster the core drivers of economic growth and ultimately result in greater tax revenue to the state** than would otherwise have been collected in their absence.

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Over time the EDGE tax credit has resulted in two distinct programs

CONVENTIONAL EDGE

Program components

- **Performance based program operational since 1999** in which eligible businesses claim a nonrefundable credit **against their Illinois corporate income taxes**
- May only be claimed when the company has **met job creation and capital investment thresholds**
- Each potential agreement is **rigorously vetted** by DCEO **under terms established by the EDGE Act** prior to a formal offer being presented
- The Corporate Accountability Act mandates that companies provide **DCEO with a 3rd party audit certifying their level of employment** prior to the company receiving a tax credit certificate
- All EDGE agreements are **posted on the DCEO website**

Performance

- 706 agreements reached since inception
- **Job creation multiple is 2.5x** number promised
- Every **$1 in tax credits has leveraged $4.5** in private capital investment in the state
- Since 2010, **47%** of companies approved for tax credit agreements have been **small businesses under 500 employees**
- **The average payback period in revenue to the state** from EDGE agreements is estimated to **be less than 2 years"**

"SPECIAL EDGE"

- "Special" EDGE agreements are not authorized by the initial EDGE statute; they result from company-specific legislation approved by the General Assembly and implemented by DCEO.
- Special EDGE credits are applied against the company's employee payroll withholdings as opposed to a credit against a corporate tax liability.
- Like Conventional EDGE, it is a performance-based incentive in which companies must certify through 3rd party audits that they meet employment levels and investment thresholds to receive the credit
- To date, only 9 companies have been approved by the Legislature for "special" EDGE: Champion Laboratories, Chrysler Group, Continental Tire North America, Ford Motor Company, Ecolab f/k/a Nalco, Mitsubishi Motors North America, Motorola Mobility, Navistar, Sears Holdings
- Agreements have been targeted to major manufacturing sites representing thousands of jobs and emphasize job retention over creation
- Enacted primarily during times of economic distress in which loss of a major employer would have dealt a significant economic blow to a region

Conventional EDGE performance details

- **706 Total Agreements:** There have been 706 Tax Credit Agreements issued by DCEO; of those, **277 have resulted in a tax credit certificate being issued** (~40% of eligible Agreements have come in to date for an actual certificate). Of those companies that do receive tax credits, on average, **they receive credits in only 7 of the 10 years for which they are eligible.**

- **Job creation multiple is 2.5x promised number of new jobs:** For the 277 projects that have received a tax credit certificate, **payroll reports submitted by 3rd party auditors for each project confirm the creation of 49,300 jobs**. Those same projects established **job creation targets totaling 21,050 when originally awarded.**

- **Every $1 in tax credits has leveraged $4.5 in private capital invested in the state:** The accurate measure of private investment **leveraged is based on only those companies that have completed a full 10 year EDGE agreement**. These companies have collected all possible tax credits under the agreement. The subset of companies that have completed the full 10 year EDGE agreement received a total of $181,853,206 in tax credits. These same companies have invested $815,853,206 in private capital in these same projects.

- **Since 2010, 48% of approved are small businesses:**
  - **0-10 employees:** 7 companies
  - **0-25 employees:** 18 companies
  - **26-50 employees:** 21 companies
  - **51-75 employees:** 18 companies
  - **76-100 employees:** 19 companies
  - **101-200 employees:** 40 companies
  - **201-500 employees:** 47 companies
  - **501-1000 employees:** 28 companies
  - **Over 1000 employees:** 150 companies

  - **48% of total agreements reached since 2010 have been with companies under 500 employees**
  - **24% of total agreements since 2010 with companies under 100 employees**

- **The average payback period in revenue to the state is less than 2 years:** Based on a sample of all EDGE projects since January 2012, the average payback period for all 135 projects is 1.2 years. Payback period is calculated using the REMI statistical model – this model is a widely accepted tool used by the Federal Government and other states.

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Summary of key state business incentive categories

While every state offers a variety of different incentives, the analysis we conducted focuses on eight of the most common categories of incentives. The analysis establishes a general fact base for understanding the competitive landscape for business attraction and expansion. These categories include the following:

- **Job creation credits** (Tax credits offered to any employer that creates new jobs)
- **R&D credits** (Research & Development tax credits to offset qualified research expenses incurred)
- **Investment-based credits** (Tax credit to encourage investment in early-stage, innovative companies)
- **Capital investment tax credits** (Tax incentives to businesses with large job and capital investments)
- **Business attraction tax credits, e.g. EDGE** (Tax credit to to locate or expand operations in a state)
- **Deal-closing funds** (Grant funding for company location or expansion at the discretion of the Governor)
- **Workforce Training** (Grant funds offered to businesses to invest in worker training)
- **Enterprise Zone** (Diverse incentives designed to stimulate growth in economically depressed areas)

For each of the aforementioned categories, analysis was conducted to determine whether:

1. Each of the states in the comparison group offer an incentive
2. The relative magnitude and type of incentive offered

The following states provide the summary comparison set below (14 in total):

- Midwest states: Illinois, Iowa, Indiana, Kentucky, Missouri, Ohio, and Wisconsin
- Other top manufacturing states: California, Texas, Pennsylvania, and New York
- Select southern competitor states: Florida, Georgia, and South Carolina

High level summary of economic development tools by state

○ Relatively weaker funding support
● Relatively stronger funding support

Incentive categories	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Job creation credits	○	●	●	○	●	●	N/A	○	●	●	●	●	●	○
R&D credits	○	●	●	●	●	○	○	●	○	●	●	●	N/A	N/A
Investment-based credits	○	N/A	N/A	○	●	●	N/A	N/A	●	●	○	○	○	●
Capital investment tax credits	●	○	N/A	N/A	●	●	N/A	N/A	○	N/A	●	○	●	○
Business attraction tax credits	●	N/A	●	N/A	●	●	N/A	N/A	N/A	N/A	○	N/A	●	○
Deal closing funds	N/A	●	N/A	●	N/A	N/A	●	○	●	○	N/A	○	N/A	N/A
Workforce training	○	○	●	○	●	●	●	○	●	●	○	●	○	○
Enterprise Zone	○	●	●	●	○	●	○	○	○	●	○	○	○	○

Job creation credits

- **Illinois Small Business Job Creation Tax Credit:** Illinois offers a $2,500 tax credit per newly created job for businesses with 50 or fewer employees; new job must pay at least $10 hour; program will remain active through June 30, 2016 and/or the program will hit the $50 million tax credit cap

Competitiveness of IL program vs. other states (examples):

- **California** (Small Business Job Creation Tax Credit) offers a $3,000 personal income tax credit per new job to businesses with 20 or fewer employees; new employee must work at least 35 hours per week; California's program is allocated $400 million in funding
- **New York** (Excelsior Jobs Tax Credit) offers a $5,000 credit per new job to firms in such targeted industries as biotechnology, pharmaceutical, high-tech, clean-technology, green technology, financial services, agriculture and manufacturing; credit is refundable; program allocated $70 million annually
- **South Carolina** (Small Business Jobs Tax Credit) offers a tax credit worth $1500-$8000 (for jobs paying > 120% of average wage) or $750-$4000 (for jobs paying , 120% of average wage); amount of credit is dependent on county designation - for example, South Carolina categorizes the state's counties as "distressed," "least developed," "under developed," "moderately developed," or "developed."

Job creation credits

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Job creation credits	●	●	●	●	●	●	N/A	●	●	●	●	●	●	●
Program description	Small Business Jobs Creation Tax Credit; Illinois credit equals $2,500 for each job created	Jobs Tax Credit; green because credit equals 20-45% of wages paid and average wage is greater than $42,000	Small Business Job Creation Tax Credit; green because program offers $3,000 per new job	New Jobs Tax Credit; yellow because max credit amount per job created is $1470	New Jobs Tax Credit; yellow because max credit amount per job created is $1470	Jobs Tax Credit; green because credit equals a percent of the wages paid (not to exceed 10%)	N/A	Job Creation Tax Credit Program; yellow because the credit equals $1000 per job	Job Tax Credit; green because the credit ranges from $1500 - $8000 per job	Job Creation Tax Credit; green because credits range from 50% to 75% per job (based on the state income tax withheld from New jobs)	Enter-prise Zone Wage Tax Credits; green because credit equals $3000 per job for certain workers	Quality Jobs Tax Credit; green because credit ranges from $2500-$5000 per job	Kentucky Business Invest-ment (KVI) program; green because it may be taken up to 100 % credit against KY income tax or LLC tax	Work Opportunity Tax Credits; yellow because the credit equals $2400 per job

R&D tax credits

- **Research and Development Tax Credit:** Illinois offers a corporate income credit equal to 6.5 percent of the incremental increases in qualified R7D expenditures; credit is non-refundable; credit can be carried forward up to 5 years

Competitiveness of IL program vs. other states (examples):

- **California** offers an R&D credit equal to 15 percent of the excess of current year research expenditures over a computed base amount (minimum of 50 percent of current year research expenses); credit is applicable against a business' income or franchise credit; credit is nonrefundable; excess amount must be carried forward
- **Georgia** offers and R&D credit equal to 10 percent of R&D expenditures; credit is non-refundable; the credit can be used to offset up to 50 percent of net Georgia income tax liability – unused credits can be carried forward 10 years; excess R&D tax credits can be used against state payroll withholding
- **Pennsylvania** offers a sellable and transferrable tax credit equal to 10 percent of R&D expenditures; credit is applicable against capital stock/foreign franchise, corporate income and personal income tax liabilities

R&D tax credits

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
R&D credits													N/A	N/A
Program strength	R&D tax credit; Yellow because program offers a credit equal to 6.5% of qualified expenditures	R&D Tax Credit; green because the program offers a credit equal to 10% of qualified expenditures and is allocated $9 million annually	R&D Tax Credit; green because the credit equals 15% of qualified expenditures	R&D Tax Credit; green because the credit equals 15% for qualified expenditures (for first $1 million)	R&D Tax Credit; green because the credit equals 15% (for first $1 million) for qualified expenditures	Research Tax Credit; yellow because credit equals 5% for qualified expenditures	R&D Tax Credit; yellow because credit equals 5 % for qualified expenditures	R&D Tax Credit; green because program offers a credit equal to 10% of qualified expenditures	R&D Tax Credit; yellow because credit equals 5% of qualified expenditures	R&D Tax Credit; green because credit equals 10% of qualified expenditures	Technology Development Tax Credit; green because credit equals 9 % of qualified expenditures	R&D Tax Credit; green because credit equals 10% of qualified expenditures	N/A	N/A

Investment based tax credits

- **Illinois Angel Investment Credit Program**: The Angel program offers a credit equal to 25% of an investment into a 'qualified new business venture'; max credit is $500,000 per investment; credit may be carried forward for up to five years; program allocated $10 million annually; unused credits may not be used for subsequent years

Competitiveness of IL program vs. other states (examples):

- **Indiana** (Venture Capital Investment Tax Credit) offers an income tax credit equal to 20% of an investment into a 'qualified business'; max tax credit amount is $1 million; credit may be carried forward for up to five years; program allocated $12 million annually

- **Ohio** (Invest Ohio) offers a non-refundable income tax credit for investments into 'qualified businesses'; credit is a dollar-for-dollar reduction in investor's personal income tax liability; credit can be carried forward for up to seven years; business is required to reinvest that infusion of cash into one of five categories of allowable expenses within six months of its receipt; program allocated $100 million per biennium.

- **Wisconsin** (Qualified New Business Venture Program) offers an income tax credit equal to 25% of the investment into a 'qualified business'; maximum tax credit amount is $2 million; allocated $20 million annually; unused credits (each year) from program may be transferred to the Jobs Tax Credit Program

Investment-based tax credits

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Investment-based credits	●	N/A	N/A	●	●	●	N/A	N/A	●	●	●	●	●	●
Program strength	Angel Investment Tax Credit; yellow because the program is allocated $10 million annually; significantly less than other state programs	N/A	N/A	Venture Capital Credit; yellow because the credit equals 6% of the investment into a qualified business	Venture Capital Investment Tax Credit; green because the program is allocated $12.5 million (and because max credit is $1 million	Qualifid New Business Venture Program; green because the program is allocated $20 million annually	N/A	N/A	High Growth Small Business Job Creation Act; green because credit equals 35% of investment into qualified business; however, Illinois allocates more funds for credits annually	Invest Ohio; green because program is allocated $100 million annually	Qualified Emerging Technology Company Capital Tax Credit; yellow because credit equals 10-20% of investment in qualified business	Qualified Investor's Tax Credit (Angel Tax Credit); yellow because the max credit is $50,000	Investment Fund Act; yellow because credit equals 30% of eligible investment and because annual allocation is capped at $8 million	New Enterprise Creation Act; green because program offers credit equal to 100% of investment into qualified fun

Capital investment tax credits

- **HIB High Impact Business**: HIB offers tax incentives to businesses conducting projects in Illinois that result in a $12 million investment causing the creation of 500 full-time jobs or an investment of $30 million causing the retention of 1500 full-time jobs; incentive is applicable against investment tax credits, a state sales tax exemption on building materials, an exemption from state sales tax on utilities, a state sales tax exemption on purchases of personal property used or consumed in the manufacturing process or in the operation of a pollution control facility, to businesses.

Competitiveness of IL program vs. other states (examples):

- **Florida** (Capital Investment Tax Credit) offers an annual credit, provided for up to twenty years, against the corporate income tax, equal to 5% of capital expenditures, for projects that create 1,000 jobs or result in the placement of $25 million in capital investments; eligible capital costs include all expenses incurred in the acquisition, construction, installation, and equipping of a project from the beginning of construction to the commencement of operations

- **Indiana** (Hoosier Business Investment Program) offers a non-refundable corporate income tax credit, worth up to 10% of capital investment; credit can be carried forward for up to 9 years; Indiana's law contains the following clause: "In order for a project to be eligible, political subdivisions/municipalities affected by the project must have offered significant incentives to the business."

- **New York** (Investment Tax Credit) offers businesses that create new jobs and make new investments in production property and equipment an income tax credit equal to 10% of their eligible investment; credit is refundable; credit can be carried forward for up to 15 years

Capital investment tax credits

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Capital investment tax credits	●	●	N/A	N/A	●	●	N/A	N/A	●	N/A	●	●	●	●
Program strength	High Impact Business; green because sales tax on construction materials and other exemptions can be significant	Capital Investment Tax Credit; yellow because $9 million per year utilized	N/A	N/A	Hoosier Business Investment Tax Credit; Green because credits issued are percentage of total capital spend	Economic Development Tax Credit: Capital Incentive Tax Credit; green because the program is allocated over $54 million annually	N/A	N/A	Capital Investment Tax Credit; yellow because credit equals 2.5% of qualified new production equipment (new production equipment is 'narrow' category)	N/A	Investmetn Tax Credit; green because credit equals 5% of capital expenditures (and is thus not as restrictive as South Carolina's capital investment program); max credit is $350 million	Mega project tax Credit and Investment tax Credit; Yellow because tax credits are limited to 5,250 per job per year and must invest $450 million	Business Investmetn Program; green because credit equals 100% of qualified expenditures	BUILD; Green Because no limit established for support to defray large business investment in the state

Business attraction tax credits

- **EDGE (Economic Development For a Growing Economy) Tax Credit Program**: Illinois' EDGE program offers businesses a non-refundable corporate income tax credit; credit is paid over 10 year period; credit may be carried forward for up to five years; in order to receive credit, Illinois' law mandates that business is considering other states for the project

Competitiveness of IL program vs. other states (examples):

- **California** (California Competes) offer a non-refundable income tax credit to businesses that want to come to California or stay and grow in California; credit can be carried forward for up to 5 years; amount of credit is based on job creation, location, and capital investment amount per project

- **Indiana** (EDGE) offers an income tax credit for eligible projects; criteria for determining eligibility of project is based on job creation, soundness of project, whether receiving the tax credit is a major factor in the applicant's decision to go forward with the project, and affected political subdivisions/municipalities have offered significant incentives to the business; credit is paid over 10 year period; credit may be awarded for up to 100% of the projected withholdings attributable to the company's Indiana project

Business attraction tax credits

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Business attraction tax credits		N/A		N/A			N/A	N/A	N/A	N/A		N/A		
Program strength	EDGE; tax credits to eliminate up to full corporate tax liability provided over 10 year period	N/A	California Competes; green because program is allocoated $150 million in FY 2014/2015 and $200 million in FY 2015/2016	N/A	EDGE; tax credits to eliminate up to full corporate tax liability provided over 10 year period	EDGE; tax credits to eliminate up to full corporate tax liability	N/A	N/A	N/A	N/A	Excelsior Jobs Program; yellow because tax credits for new hires are limited to specific , targeted industries though tax credits themselves can be generous	N/A	Kentucky Business Investment Program; green because eligible businesses can receive tax credits up to 100% of state corporate tax liability by creating new jobs or paying higher wages	Missouri Works; yellow because tax credits up to 100% of state corporate tax liability are offered for only 5 to 6 years

Deal closing funds

- Illinois does not have a deal-closing fund

Other states' programs (examples):

- **Florida** (Quick Action Closing Fund) Quick Action Closing Fund is "deal closing" tool in highly competitive negotiations where Florida's traditional incentives are not enough to win the deal; program offers a grant to businesses; tool is critical to the state's ability to attract projects where Florida is at a significant competitive disadvantage. All Closing Fund projects include a performance-based contract with the State of Florida
- **South Carolina** (Governor's Closing Fund) Governor's Closing Fund was created in 2006 when additional, more flexible funding was needed to assist with high impact economic development projects; program offers a grant to businesses; to provide maximum flexibility to encourage the creation of new jobs and capital investment," the General Assembly voted to give the Council the authority to "transfer economic development funds at its disposal to the Closing Fund
- **Texas** (Enterprise Fund) EF funds are used primarily to attract new business to the state or assist with the substantial expansion of an existing business as part of a competitive recruitment situation; allocated $250 million annually; program offers a grant to businesses

Deal closing funds

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Deal closing funds	N/A	●	N/A	●	N/A	N/A	●	●	●	●	N/A	●	N/A	N/A
Program strength	N/A	Quick Action Closing Fund; Green because direct grant funds amount and timing provided at discretion of Governor,	N/A		N/A	N/A	Texas Enterprise Fund; green because program is allocated over $250 million annually; full discretion of the Governor	Opportunity Grant Program; Yellow because total value of grants not known; state has authority to provide grant funds to businesses that locate, expand, or maintain operations in Pennsylvania	Governor's Closing Fund; Green because fund has unlimited resources; Council has authority to use funds at its discretion	Jobs Ohio Economic Development Fund Grant; yellow because data is unavailable on Ohio's program	N/A	EDGE Fund; yellow because data is unavailable on Georgia's program	N/A	N/A

Workforce training

- **ETIP - Employer Training Investment Program**: Illinois' (ETIP) provides grants equal to 50% of training costs up to a maximum of $500 to businesses and organizations for job training

Competitiveness of IL program vs. other states (examples):

- **Indiana** Skills enhancement Fund supports training and upgrading of skills of employees at 50% of training costs over a 2 year period for new capital projects
- **Wisconsin** work force training grants cover 50% of training costs for a business's full-time employees (existing and new) up to $5,000 per worker; eligibility requirements include making 150% of federal minimum wage
- **Iowa** Employee Training Program is funded through diversion of payroll taxes on new employees to reimburse the full cost of new employee training; training is provided through the community college system. Businesses can also claim a credit up to 50% of existing employee withholdings for on the job training if overall employment is increased by 10%
- **Texas** (Skills Development Fund) provides grants to community colleges, technical colleges and community-based organizations for workforce training; businesses generally set-up a training project and funds are provided to eligible recipients; maximum grant for an individual business is $500,000; in 2012 program utilized over $22 million of grant monies

Workforce training

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Workforce training	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Program strength	ETIP; program provides reimbursements equal to 50% of training costs	Incumbent Worker Training; yellow because maximum grant award is $50,000 and annual funding is only $3 million	Employment Training Panel Program; green because program provides $18-$22 per hour of training	Jobs Training Program; yellow because max award is $50K	Skills Enhancement Fund; green because program re-imbursement grant equal to 50% of training costs; max award is $200K	Customized Labor Training Fund; green because program provides grants equal to 50% of training costs	Skills Development Fund; green because max award is $500,000	Guaranteed Free Training Program; yellow because award equals $450 per job trainee	Incumbent **Worker Training Program; Green because program awards grants equal to 50-75% of training costs**	Workforce Guarantee Program; green because program provides awards equal to 75-100% of training costs	On the Job Training; yellow because grant funding amounts are not provided	Quick Start; green because program is one of nation's oldest and most successful	Grant-in-Aid Program; Yellow because program provides grants equal to $25,000 for training (max amount)	Job Retention Program; yellow because program offers tax credit equal to 2.5% of a business's witholding taxes

Enterprise Zone

- **Enterprise Zone Program**: Illinois offers investment tax credits (worth .5% of qualified investment), sales tax deductions, machinery and equipment tax exemptions, utility tax exemptions, property tax abatements and assessment reductions; there are 97 zones in the state

Competitiveness of IL' program vs. other states' programs (examples):

- **California** (Enterprise Zone Program) offers enterprises zone companies the following benefits: 1) Hiring Credits - can earn $37,440 or more in state tax credits for each qualified employee hired; 2) Up to 100% Net Operating Loss (NOL) carry-forward. NOL may be carried forward 15 years (suspended for tax years 2002 and 2003); 3) Corporations can earn sales tax credits on purchases of $20 million per year of qualified machinery and machinery parts; 4) Up-front expensing of certain depreciable property. Lenders to Zone businesses may receive a net interest deduction; 5) Unused tax credits can be applied to future tax years, stretching out the benefit of the initial investment

- **Florida** offers new or expanded businesses located within an enterprise zone a credit against Florida corporate income tax equal to 96% of ad valorem taxes paid on the new or improved property

- **Iowa** offers enterprise businesses a number of incentives, however the following stand out: 1) a local property tax exemption of up to 100% of the value added to the property to a period not to exceed 10 years; 2) a capital investment tax credit worth 10%; eligibility requirements include: minimum capital investment of $500,000, creation/retention of 10 jobs, and providing insurance to full-time employees

- **Pennsylvania** offers grants to enterprise zone businesses: Planning Grants can be up to $50,000; additional basic grants can also be up to $50,000; and Grants-to-loans can be up to $500,000

Enterprise zone

	IL	FL	CA	IA	IN	WI	TX	PA	SC	OH	NY	GA	KY	MO
Enterprise Zone	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Program strength	Enterprise Zone; yellow because variety of credits make it difficult to estimate value	Enterprise Zone Property Tax Credit; green because credit equals 96% of ad valorem taxes paid on the new or improved property	Enterprise Zone; green because program offers a multitude of incentives to businesses, all of which are comparatively better than Illinois' incentive	Enterprise Zone; green be cause program offers businesses a local property tax exemption of 100%, among other incentives listed above	Enterprise Zone Program; yellow because data on specifics of program's funding or incentives are un-available	Enterprise Zone Program; green because program has potential to allocate over $60 million annually	Enterprise Zone Program; Yellow because data unavailable	Key-**Stone communities; yellow because limited to grant funding to municipalities; details on grant amounts are not provided**	Enterprise Zone Program; yellow because program is only moderately active	Enterprise Zone Program; green because program offers exemptions of real and/or personal property assessed values of up to 75% for up to 10 years or an average of 60%	Start-up New York; green because taxes are eliminated for businesses and personal income tax elimianted for employees for 5 years when business locate on or near a university	Enterprise Zone Program; yellow because data on the specifics of the prgram's incentives (*i.e,* the percent per incentive) is unvailable	Enterprise Zone Program; again, yellow because data on the specifics of the incentives is unavailable	Missouri Works; yellow because tax credits Are limited to corporate liability as opposed to sales tax;works in conjunction with business attraction credits

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Small Business Job Creation performance management

- The statutory authority for the Small Business Job Creation Tax Credit Act is (35 ILCS 25/10)

- Illinois Small businesses must complete an online application via the dedicated program website. Required application fields include the following:
  - business name/contact information
  - business FEIN #
  - number of fulltime employees
  - date of hire
  - job title
  - wage amount
  - employee name
  - employee SS#

- Businesses must maintain their registered position for at least one year from the hire date in order to receive their tax credit certificate. One year from the hire date, the business owner must complete an online attestation application in order to be issued a tax credit certificate. The attestation form requires the business to provide the following:
  - Their current number of employees, so that the program/system can ensure that they maintained a positive Illinois headcount during that period.
  - The business owner has to click to attest that their provided information is true and correct to the best of their knowledge.

- Business owners are provided an online option to edit job and/or business information via the program website (self reporting option). DCEO program staff has authorized access to the program system in order to deem businesses and their registered positions ineligible should they be found to be noncompliant with programmatic rules.

- Small Business Job Creation program targeted goals and actual results can be found publicly at the following:- The Illinois of the Comptroller's (IOC) published annual Public Accountability Report that is available on IOC's website. http://www.ioc.state.il.us/index.cfm/departments/public-accountability-reporting/

R&D tax credit performance management (2 of 2)

- Taxpayers that have incurred qualifying R&D related expenses are required to complete an Illinois Schedule 1299-D form. Illinois Department of Revenue is responsible for thoroughly reviewing the R&D section of a completed 1299-D form to ensure that the qualifying expenses and computing of the tax credit amount was done correctly.

Angel Investment performance management (1 of 2)

- The statutory authority for the Angel Investment credit is (35 ILCS 5/220)
- Interested, early-stage Illinois businesses have to complete a user-friendly, fillable application which is available online. Required business application fields include the following:
  - business name/contact information
  - business FEIN #
  - number of fulltime employees and job growth projection numbers
  - investment dollars received to date and projected capital investment to be placed back in IL
  - business description
  - description of business innovation
- DCEO program staff review the business application to ensure that it meets the programmatic requirements. If the application is found to be deficient in terms of meeting the programmatic requirements, DCEO sends a letter of ineligibility and the applicant is offered an opportunity to appeal the ruling.
- Once a business has been registered with the Angel investment program, this permits their future investors (claimants) an opportunity to complete a user-friendly, fillable application which is also available online. Required investor application fields include the following:
  - investor name/contact information
  - investor FEIN # or SS#
  - name of the program registered business they invested in
  - date of investment
  - monetary amount of investment
  - supporting documentation of the investment must be included

Angel Investment performance management (2 of 2)

- DCEO program staff review the investor application to ensure that it meets the programmatic requirements. If the application is found to be deficient in terms of meeting the programmatic requirements, DCEO sends a letter of ineligibility and the applicant is offered an opportunity to appeal the ruling. If the investor application is approved, a tax credit certificate is sent to the eligible investor.

- An eligible claimant who has received a tax credit based on their investment into a program eligible business must maintain that investment in the business for no less than 3 years. If an investment for which a claimant is allowed a credit is held by the claimant for less than 3 years, the claimant shall pay to the Department of Revenue the amount of the credit that the claimant received related to the investment. DCEO requires that the eligible investor submit an Annual Attestation of Investment application for the 3 year period directly following their issuance of a tax credit certificate.

- A complete list of the registered businesses and eligible investors (claimants) along with a summary of the program can be found publicly at the following:

    - Angel Investment Annual Report (2012 report attached for reference)

High Impact Business Program performance management

- The statutory authority for the High Impact Business Program (HIB) is 20 ILCS 655/5.5
- As an HIB designee, a company is afforded many of the same Enterprise Zone benefits including the investment tax credit, building materials sales tax exemption and the utility tax exemption (if qualified). After a company is designated as an HIB, they have three years within which to make the qualified investment of 20 Million Dollars and create a minimum of 500 new jobs or retain a minimum of 1500 jobs. The company must submit to DCEO an agreed upon procedures review from an independent CPA along with a company attestation. The agreed upon procedures include a review of the following:
  - physical examination of the assets/equipment placed in service at the location
  - verification that the assets/equipment were qualified investment capital
  - review of payroll records to verify full time employees
  - random sampling of employee payroll information to verify employment in their personnel files
  - tests completed for mathematical accuracy for both investment and jobs
- Should a company fall under the employment base committed to then the company's HIB designation is terminated and the company will no longer be eligible for benefits. If a company fails to meet the qualified investment and jobs threshold then the department may clawback the benefits received under the building materials sales tax exemption.
- Pursuant to Public Act 97-905, all businesses receiving any type of HIB benefits must report jobs and investments annually to the Illinois Department of Revenue. A summary of this information is provided to DCEO for inclusion in the Enterprise Zone Annual Report.
- Information about HIB designees that are in their initial 5 year HIB term can be found on the Illinois Corporate Accountability website (www.ilcorpacct.com/corpacct/). In addition, information on certain HIB designees can be found in the Enterprise Zone/High Impact Business Annual report..

EDGE performance management (1 of 2)

- The statutory authority for the Economic Development For A Growing Economy (EDGE) program is 35 ILCS 10/5-1 et.seq.

- After a company has completed an application and been approved into the EDGE program the company has two years within which to make the required capital investment and create/retain the required number of jobs. Actual jobs and investment are documented upon receipt by the department of audited reports delivered under agreed upon procedures which have been certified by an independent CPA. Agreed upon procedures include providing the following documentation and findings:

    - verification of expensed funds for the project
    - listing of equipment/assets purchased
    - description of each asset and properly classified as qualified investment
    - verification of on-site visit to verify the assets were "placed in service"
    - verification of payroll (created and/or retained) and that the employees were "active"

EDGE performance management (2 of 2)

- The EDGE program is a performance based program. The company does not receive a credit until it has submitted a certificate to DCEO legally attesting that it has upheld requirements under the EDGE agreement. The certificate is attested by the company and includes the following information:
    - Number of new employees hired
    - Number of retained employees as of the last day of the company's fiscal year
    - Total amount of capital improvements
    - Total payroll for the project as of the last day of the company's fiscal year
    - List of each employee with the following information:
        - Location
        - Employee ID number
        - Hire date
        - Name
        - Job title
        - State withholding
        - Annual wages
- Should the company not meet the job creation/retention commitments then the company is not eligible to receive a tax credit for that year or any future year until the commitment is reached. The company is subject to the Illinois Corporate Accountability For Tax Expenditures Act (93-552) for the first 5 years of the project. Should the company decide to move or close the facility within five years than any and all credits received in prior years would be subject to clawback by the state.
- Each EDGE recipient along with a summary of the project can be found publicly at the following:
    - EDGE Annual Report (2012 report attached for reference)
    - Illinois Corporate Accountability website (www.ilcorpacct.com/corpacct/)

ETIP performance management (1 of 2)

- The statutory authority for the Employer Training Investment Program (ETIP) is 20 ILCS 605-800.
- After a company has been approved for the ETIP program the company must submit to the department quarterly and annual progress reports. The company attests to the following information in the reports:
    - Grantee information (company contact, title, address, phone, email NAICS code)
    - Grant amount
    - number of employees at time of application
    - job classification
    - annual salary
    - number of full time positions, part time positions and temporary positions
- In addition, the quarterly reports or project status reports will list whether the following information has been submitted and on what date it was completed:
    - company profile
    - attendance sheets
    - trainee retention reports
    - company surveys
    - paid invoices
    - internal trainer wage reports
- DCEO's Office of Accountability conducts onsite and desk monitoring reviews for selected ETIP grants as determined by a risk assessment.

ETIP performance management (2 of 2)

- ETIP grantees are subject to the Illinois Corporate Accountability Act along with the Grant Funds Recovery Act. Should the company not train the committed to number of employees then those grant funds are subject to clawback on a prorata basis.
- DCEO tracks ETIP firms served and ETIP trainees, on a projected basis, each quarter. Information on each grant and grantee can be found on the DCEO grant tracker website (http://granttracker.ildceo.net). Grant tracker will provide the following information on each grant:
  - grant number
  - company name
  - Address
  - grant amount
  - grant start date and end date
  - project description
- ETIP grants can also be found on the DCEO Corporate Accountability website (www.ilcorpacct.com/corpacct/)

Enterprise Zone performance management

- The statutory authority of the Illinois Enterprise Zone Program is 20 ILCS 655/1 et. Seq.
- Unlike other programs, applicants are not required to create or retain jobs and make the investments before being certified for certain tax exemptions, including the building material sales tax exemption, the investment tax credit and (usually) local property tax abatements. Businesses must work with the Illinois Department of Revenue to avail themselves of the building material sales tax exemption. Businesses do not need to be certified by either DCEO or the Illinois Department of Revenue to take the investment tax credit.
- Should a company apply for a Utility Tax Exemption or the Manufacturing Machinery and Equipment Exemption then the company must fill out an Annual Jobs Report to the department. This report lists the following
  - exemption type
  - qualifying criteria
  - job base
  - zone location
  - number of jobs at the end of the calendar year.
  - contact person, title and date submitted
- Pursuant to Public Act 97-905, all businesses receiving any type of Enterprise Zone benefits must report jobs and investments annually to the Illinois Department of Revenue: A summary of this information is provided to DCEO for inclusion in the Enterprise Zone Annual Report
- Should a company move or cease doing business in the zone but has received zone benefits, then the company's certification will be terminated.
- Information about all 97 zones and the program benefits are found in the Enterprise Zone Annual Report which is a public document. (a copy of the 2012 report is attached)