

Manufacturing Project Incentive Overview

Lucrative project incentives are available to qualifying manufacturing firms that are expanding or locating in metropolitan Youngstown-Warren, Ohio. The Regional Chamber will work with you to determine eligibility for, explain and help secure applicable incentive programs highlighted below:

Enterprise Zones (EZ): Enterprise Zones have been established in metropolitan Youngstown-Warren, Ohio. Companies that locate in an EZ could be eligible for tax abatements on investments in real property (i.e. building, construction, expansion, renovation). The maximum allowable tax abatement in cities and villages, is 75 percent (over 75 percent requires school board approval) and 60 percent in other communities (over 60 percent requires school board approval). The maximum abatement term is 10 years. See the Regional Chamber's *Enterprise Zone Fact Sheet* for more information.

Foreign Trade Zone (FTZ) 181: FTZ 181 has been established at various locations in metropolitan Youngstown-Warren Ohio. In order to promote international trade, FTZ 181 can delay, reduce or eliminate customs duties levied on raw materials, parts, components or finished products imported from other countries. See the Regional Chamber's *Foreign Trade Zone Fact Sheet* for more information.

Community Reinvestment Area (CRA): Community Reinvestment Areas are located in designated parts of metropolitan Youngstown-Warren, Ohio. CRAs provide real-property tax exemptions for companies constructing or renovating a facility. Up to 100 percent of the value of building improvements/construction may be exempt from real property taxes for a maximum 15 years. See the Regional Chamber's *Community Reinvestment Act Fact Sheet* for more information.

Ohio Job Creation Tax Credit (JCTC): A refundable Commercial Activity Tax credit based the percentage of state income tax paid by new employees is available for businesses that expand or locate in Ohio. The maximum rate and term of the credit is 75% for 10 years. Approved projects generally range from 30-50% for three to six years. Rate and term exceptions occur only at the recommendation of state officials. The JCTC requires that a business create at least 25 new full-time positions with average wages for all new employees at least 150 percent of the federal minimum wage. Special eligibility provisions apply for companies that create as few as 10 new full time jobs. See the Regional Chamber's *Ohio Job Creation Tax Credit Fact Sheet* for more information.

Ohio Taxes are Business Friendly ...

- All companies are taxed at the same broad-based low rate:
 - currently 0.26% on gross receipts of sales in Ohio, with the first \$1 million tax-free
 - Sales outside of Ohio are exempt.
- No tax on inventory or corporate income
- No tax on investments in machinery and equipment
- Real property tax is based at 35 percent of market value with effective rates varying by school district.
- Sales and Use tax is applied to retail sales, leases and rentals, as well as selected services, and is currently 6.75% in Mahoning County and 6.5% in Trumbull County.

Manufacturing Machinery & Equipment Sales Tax Exemption:

Machinery, equipment, supplies and fuel purchased and used primarily in a manufacturing operation to produce tangible personal property for sales are exempt from state and county sales tax. See the Regional Chamber's *Manufacturing Machinery & Equipment Sales Tax Exemption Fact Sheet* for more information.

Warehouse Machinery & Equipment Sales Tax Exemption:

Eligible warehousing equipment, including machinery and equipment used primarily in storing, transporting, mailing or handling inventory in a warehouse or distribution center is exempt from state and county sales tax as long as the inventory handled by the facility is 1) primarily distributed outside Ohio to retail stores owned by the business or affiliated group that owns the Ohio facility or 2) distributed by means of direct marketing. See the Regional Chamber's *Warehouse Machinery & Equipment Sales Tax Exemption Fact Sheet* for more information.

Research and Development Sales Tax Exemption: Provides an exemption from state and county sales tax for companies that purchase equipment for research and development activities. See the Regional Chamber's *Research and Development Sales Tax Exemption Fact Sheet* for more information.

Project Loans / Financing:

State and federal programs provide loans for the acquisition of land, structures, new construction, facility renovation or expansion and the purchase of machinery and equipment. Interest rates are typically below bank levels and the programs allow greater debt leverage / less cash equity. Most programs require bank and owner equity participation and specify minimum public funds/jobs ratios. Other requirements may include payment of Prevailing Wage Rates for construction and/or equipment installation. Select program examples include:

GrowNOW Small Business Linked Deposit Program: This interest rate reduction program is designed to help small businesses grown by providing them with critical cash flow. When a business is approved for a loan from an eligible bank, GrowNOW provides an additional 3% discount on the loan's already-negotiated interest rate, when the loan is linked to creating or saving jobs in Ohio. See the Regional Chamber's *GrowNow Small Business Linked Deposit Program Fact Sheet* for more information.

Direct (166) Loan Program: This state sponsored program provides loans for land and building acquisition, expansion and renovation and the purchase of machinery and equipment. The borrower must create one job for every \$50,000 received. The loan may range from \$500,000 to \$1,500,000. See the Regional Chamber's *Direct 166 Loan Program Fact Sheet* for more information.

166 Regional Loan Program: This program provides loans for land and building acquisition, expansion and renovation and the purchase of machinery and equipment. The borrower must create one job for every \$50,000 received, up to the maximum loan amount of \$500,000. See the Regional Chamber's *166 Regional Loan Program Fact Sheet* for more information.

Other Incentives

Ohio Workforce Guarantee Program – supports companies making investments in facilities, equipment and training by providing direct financial support for eligible tuition and training costs. See the Regional Chamber's *Ohio Workforce Guarantee Program Fact Sheet* for more information.

Ohio One Stop Workforce Centers – One-Stop Centers offer assessment services including identifying and screening employees; on and off-site training programs; and administers grants for incumbent workers, targeted industries and on-the-job training.

Public Infrastructure Support: For projects requiring improvements to public roads and/or water/sewer lines, partial or full funding through various grant programs may be available. The amount is typically based on the jobs created by a project. On-site improvements can be funded if they are designated to be public infrastructure. Private infrastructure improvements can be funded through previously noted loan programs. See the Regional Chamber's *Public Infrastructure Support Fact Sheet* for more information.

Sales Tax Exemption on Building Materials combined with On/Off Balance Sheet Leasing: Working with an Ohio port authority exempts projects from Ohio sales tax on building materials. The port authority owns and leases the facility to the company on a fully net basis - as either a capital lease or an off-balance sheet transaction - based on the company's underlying financial strength. The company is responsible for facility design/construction and operations/ maintenance. Other financing and tax incentives can flow-through the port authority to benefit the company, and the company can still utilize a private sector real estate developer/owner/lessor if it so chooses.

Tax-Exempt Industrial Revenue Bonds (IRB): Small issue industrial revenue bonds can be used for manufacturing purposes. Funding is available for land and building acquisition, construction, expansion or renovation, and equipment purchase. The bonds are issued by public entities on behalf of private, for-profit companies. Interest earned by the bond buyers is exempt from federal (and some state) income tax. See the Regional Chamber's *Tax-Exempt Industrial Revenue Bonds Fact Sheet* for more information.

SBA 504 Direct Loan Program: This federal program provides fixed rate, second mortgage financing for real estate (land, building, construction/renovation) and machinery and equipment. The borrower must create one new job within 3-years for every \$65,000 received. The maximum loan is typically \$5 million for public policy goals. Real estate loans are 20-year and machinery/equipment loans are 10-year. Bank participation and cash equity from the owner are required. See the Regional Chamber's *SBA 504 Direct Loan Program Fact Sheet* for more information.

Revolving Loan Funds (RLF): Counties, cities and some villages and townships have local revolving loan funds. While rates and terms vary, these programs typically provide fixed rate, subordinated loans for real property, machinery and equipment, and furniture, fixtures and equipment. Most require the borrower to create one new job for every \$25,000 of funding.

USDA Business & Industry Loan Guarantees – The USDA can guarantee quality loans involving manufacturing, wholesale, retail and services as long as the project involves creation and/or saving of jobs. The purpose need not be agriculturally related. Eligibility based on location of project. See the Regional Chamber's *USDA Business & Industry Loan Guarantee Fact Sheet* for more information.

For more information about any of the programs listed, contact the Youngstown/Warren Regional Chamber at 330.392.6140, development@regionalchamber.com or www.regionalchamber.com