

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS MONTANA

A Cushman & Wakefield Global Business Consulting Publication



2015

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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

MONTANA’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Pioneer Aerostructures	\$13.5	50	\$0.6
SeaCast of Montana	\$13.9	117	\$0.6
Boeing	\$11.2	11	\$0.8
Zootist Hotel	\$30.6	100	\$0.5
ADF Group	\$24.0	120	\$1.1
Mountain Surgical Arts	\$0.3	15	\$0.3
Le-Jo Properties	\$0.6	1	\$0.5
EMTEQ	\$1.1	51	\$0.5
Affiliated Computer State Healthcare	\$2.5	200	\$1.3
Advanced Technology Group	\$0.2	25	\$0.3
Zinc Air	\$0.3	42	\$0.3
Rivertop Renewables	\$2.5	25	\$0.4

OVERVIEW OF MAJOR MONTANA INCENTIVE PROGRAMS

EMPOWERMENT ZONE TAX CREDIT

- **Eligibility:** Individual, corporations, small business corporations, pass-through entities and partnerships. Local governments can establish empowerment zones to encourage economic development. Among other criteria, unemployment within the empowerment zone area must be at least 150% of the statewide average unemployment or poverty rate in the 2 years prior to creation of the empowerment zone.
- **Qualifying Expenditures:** Business must be located in a facility within the empowerment zone; Less than 10% of the business is from retail sales of tangible personal property, other than that manufactured in the facility; Shall increase employment within the empowerment zone from employees who:
 - work at least 1,750 hours per year in permanent employment intended to last at least 3 years;
 - were not employed in the business within the 12 preceding months;
 - at least 35% are residents of the county at the time of their employment are provided a health benefit plan of which at least 50% of the premium is paid by the business; and are paid for job duties performed at the empowerment zone location.
- **Benefit:** For individuals or corporations meeting eligibility criteria, the credit against income tax liability for each qualifying employee is \$500 for the first year of employment; \$1,000 for the second year of employment and \$1,500 for the third year of employment. If the credit exceeds the taxpayers' income tax liability, the credit may be carried forward 7 years and carried back 3 years. In addition to the income tax credits, the employer is also entitled to a credit against the taxes imposed by the insurance premium tax. The credits against the tax are the same as listed above.

NEW OR EXPANDING INDUSTRY WAGE CREDIT

A manufacturing corporation may receive a corporation license tax credit of 1% of wages paid to new employees for the first three years of operation and expenses.

RESEARCH AND DEVELOPMENT TAX CREDIT & EXEMPTION

Provides for a 5% tax credit on qualified R&D expenditures. The credit is nonrefundable but may be carried back two years and forward fifteen years. All net income earned from research and development activities are exempt from corporate license tax during a firm's first 5 taxable years of activity in Montana.

Montana shows an average deal value of \$1.23 million with 43 new jobs created per deal

PRIMARY SECTOR WORKFORCE TRAINING GRANT PROGRAM

The Montana Department of Commerce manages a state funded workforce training program. Eligible businesses must meet the definition of a Primary Sector Business. The financial match for the business is one dollar of private funds for every three dollars of Primary Sector Workforce Training funds applied for. Businesses may apply for up to \$5,000 per new job created for documented training expenses. Businesses must meet minimums for number of hours worked, and thresholds for employee compensation. Businesses can apply directly to the Montana Department of Commerce for this program.

BIG SKY ECONOMIC DEVELOPMENT TRUST FUND

This state-funded grant program was passed in the 2005 legislative session creating the "Big Sky Economic Development Trust Fund" that provides grant dollars to local or tribal governments that can be used to assist businesses that create new jobs in Montana.

Trust fund dollars can be awarded to local governments in the form of grants and loans for the purchase of machinery, equipment and/or working capital for economic development projects. Up to \$7,500 may be awarded for each new fulltime job created. In addition, funds can be awarded to Certified Regional Economic Development Corporations and other eligible economic development organizations in the form of grants for economic development planning and capacity building.

NEW INDUSTRIAL PROPERTY TAX ABATEMENT

Manufacturing businesses that establish a new location in Montana are eligible to receive a reduced taxable rate of 3% on real and personal property for a period of three years. Property dedicated to R&D is also eligible for the reduced tax rate.

NEW OR EXPANDED INDUSTRIES PROPERTY TAX ABATEMENT

A business that starts operations or invests a minimum of \$125,000 worth of qualifying improvements or modernized processes may receive a 50% property tax abatement from the local governing body. The tax abatement is 50% for the first five years and escalates 10% per year with the abatement expiring in the tenth year of operation.

REDUCED RATE FOR REMODELING OF BUILDING

Properties that are remodeled, reconstructed or expanded and result in an increase in taxable value of at least 2.5% are eligible for reduced property taxes. The tax rate is 0% during the construction period and escalates 20% per year with the reduced rate expiring in the fifth year following construction.

INDUSTRIAL PARK PROPERTY TAX EXEMPTION

If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from local property taxes.

OTHER MONTANA INCENTIVE PROGRAMS

- Community Development Block Grant
- Montana Wood Products Revolving Loan Fund
- Indian Country Economic Development Program
- Board of Research & Commercialization Technology
- Microbusiness Development Corporations
- Certified Regional Development Corporations
- Intermediary Relending Program
- Alternative Energy Revolving Loan Program
- Montana Board of Investment Programs- In-State Loan Programs
- Trade Show Assistant Program
- Small Business Innovation Research Program
- Montana SBIR/STTR Matching Fund Program
- Alternative Fuels Property Tax Exemption
- Alternative Energy Investment Tax Credit
- Incumbent Workforce Training Grant Program

For more information, contact:

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