

# BUSINESS INCENTIVES PRACTICE

## MAJOR INCENTIVE PROGRAMS NEVADA

A Cushman & Wakefield Global Business Consulting Publication



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### BUSINESS INCENTIVES PRACTICE

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

### NEVADA’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Chelten House Products	\$4.9	12	\$0.5
Clearwater Paper	\$16.0	22	\$1.6
Eco Waste Conversion	\$32.0	58	\$2.6
Creel Printing & Publishing	\$34.0	13	\$3.1
Parker Plastics	\$5.5	26	\$0.5
Scientific Games Production	\$7.6	10	\$0.6
Scientific Games	\$4.8	200	\$2.0
Clear Capital	\$1.7	400	\$1.0
Catamaran Corporation	\$63.5	474	\$3.4
Tesla Motors	\$5,000.0	6,500	\$1,330.0
TJX Companies	\$46.5	240	\$4.4
Barclays	\$2.9	400	\$0.9

## OVERVIEW OF MAJOR NEVADA INCENTIVE PROGRAMS

### MODIFIED BUSINESS TAX ABATEMENT

A business tax is imposed on each employer at the rate of 1.17% on wages over \$62,500 (minus health care premiums) per quarter. Qualifying employers may apply for an abatement of 50 percent of the tax otherwise due during the first four years of its operations.

The company will provide a medical insurance plan for all employees including an option for dependent health insurance coverage. The company will also pay at least 25% of the employee premium cost.

The company is expected to register pursuant to the laws of Nevada and to obtain all licenses and permits required by Nevada and Clark County, city or town in which the business operates; they must also commit to maintaining the business in Nevada for 5-years. The abatement is voidable if business fails to comply with any of the terms of the agreement. Audits will be done by the Nevada Department of Taxation after 2 and 5 years to ensure compliance.

Two of the following three criteria must be met for eligibility:

- The Company's average hourly wage at the Nevada facility must equal or exceeds 100% of the county average hourly wage or statewide average hourly wage, whichever is less. For new businesses, compliance with this criterion is required. The statewide average hourly wage established for FY 2012 is \$20.10.
- For counties or cities with a population of more than 100,000 or 60,000, respectively, requires a minimum of 75 full-time permanent jobs in Nevada by the fourth quarter of operation and continue to employ at least the minimum. For an expansion, the company must increase the number of employees on the payroll by 10% or six employees, whichever is greater.

A capital investment of \$1 million is required for counties or cities with a population greater than 100,000.

### TRAIN EMPLOYEES NOW (TEN) GRANT

The Nevada Train Employees Now Program provides short-term, skills-based intensive job training. A customized program is designed covering recruitment, hiring and job training for Nevada residents. The program can fund up to 75% of total eligible costs. The company is required to contribute at least 25% of total eligible costs.

Each training program would be designed jointly by the company and multiple state agencies. Major elements of the program include the development of a job applicant list, programming, materials, and classroom training. State agencies involved are the Governor's Office of Economic Development, Department of Employment, Training and Rehabilitation and the Nevada System of Higher Education. Training providers include local community colleges, private postsecondary

# Nevada shows an average deal value of \$1.10 million with 84 new jobs created per deal

institutions, or others identified by the company.

#### Program Benefits:

- Assistance with employee screening;
- The employer determines the goals and objectives of the training;
- Most direct training costs are eligible for reimbursement, including:
  - Consumable materials and equipment;
  - Rental of tools and equipment;
  - Rental of training site;
  - Instructor salaries and benefits;
  - Travel and per diem for limited number of instructors and trainees (if applicable).

#### Program Requirements:

- Businesses must hire a minimum of 10 trainees to participate. Trainees must be Nevada residents. Generally the ceiling expenditure per trainee is \$1,000-2,000.
- Wages for jobs considered for training must exceed 80% of the statewide or county average annual hourly wage (Current statewide average hourly wage is \$20.10 and 80% equals \$16.08).
- Health insurance must be provided by the employer with option for dependents.
- Training is provided only for full-time, primary jobs created by companies locating or undertaking a significant expansion in Nevada.
- Existing businesses must prove growth by significantly increased employment or other factors indicating new investment and job creation and must commit to Nevada for 5-years.

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Training must commence within the first 90 days after approval, with a written request to the executive director, an extension may be granted up to an additional 90 days. If the deadline is not met, after review and reconsideration, monies may be reallocated to other companies seeking funding during the fiscal year. The company must provide compliance and administrative reports to the regulating agency on funding and training quarterly during training and a status report within 90 days of completion of training.

### SALES & USE TAX ABATEMENT

Partial sales and use tax abatements are available for purchases of capital equipment. The abatement reduces the applicable tax rate to 2%. An application for abatement must be made in advance to the State or, if the purchase has been made, within 60 days after the date on which the tax was due. If the application for abatement is approved, the company is eligible for a refund of the tax paid.

The Governor's Office of Economic Development will look for the following criteria when reviewing an applicant's eligibility for abatement. Two of the following three must be met:

- **Wage Requirement** - The Company's average hourly wage at the Nevada facility must equal or exceed 100% of the county average hourly wage or statewide average hourly wage, whichever is less. For new businesses, compliance with these criteria is required. The statewide average hourly wage established for CY 2012 is \$ 20.10.
- **Number of Jobs Required** - Counties or cities with a population of more than 100,000 or 60,000, respectively, requires a minimum of 75 full-time permanent jobs in Nevada by the fourth quarter of operation and continue to employ at least the minimum. For counties or cities with populations of less than 100,000 or 60,000, respectively, requires a minimum of 15 full-time permanent jobs in Nevada by the fourth quarter of operation and must continue to employ at least the minimum. For an expansion, the company must increase the number of employees on the payroll by 10% or six employees, whichever is greater.
- **Capital Investment Requirement** - For counties or cities with a population of more than 100,000 or 60,000, respectively, a capital investment of \$1 million is required. For counties or cities with a population of less than 100,000 or 60,000, respectively, a capital investment of \$250,000 is required.

### PERSONAL PROPERTY TAX ABATEMENT

Partial abatement from personal property taxes are available to companies that locate or expand their businesses in Nevada. The abatement can be up to 50% of the taxes due for up to 10 years. The applicant must apply for abatement not more than one year before the business begins to develop for expansion or operation in Nevada.

Eligibility Requirements for the Personal Property Tax Abatement are the same as the Sales & Use Tax Abatement requirements listed above.

### ECONOMIC DEVELOPMENT RATE RIDER

NV Energy is now offering a pilot program that provides a discount on electric rates for new businesses that locate in the state of Nevada. The program, created by legislation and approved by the Public Utilities Commission of Nevada, provides for a total of 50 MW of power to be allocated to new business statewide.

As part of the eligibility criteria, the company must first apply and be approved for state-offered incentives through the Governor's Office of Economic Development to be eligible for the program. In addition, the company must meet the following requirements:

- The power demand or load must be a minimum of 300 kW
- The load factor for the operation must be a minimum of fifty percent (50%) and must be maintained at that level during the period of the contract
- A new commercial or industrial customer of NV Energy
- Not have been a customer of any electric utility in the state of Nevada within the last twelve months

Once these requirements are met, the contract with NV Energy can be developed. The Program is limited to a total of 50 megawatts ("MWs") statewide, and the aggregate electric service to customers under this Rider cannot exceed the Utility's set aside of 25 MWs. The Public Utilities Commission of Nevada (the "Commission") may reallocate the total capacity available under the Program among utilities depending on the relative demand for the Program among the utilities in the state.

The Base Tariff Energy Rate ("BTER") applicable under the Otherwise Applicable Rate Schedule ("OARS") will be discounted by the following percentage amounts in the five consecutive 12 month billing periods beginning with the first billing period after the Customer commences service under this Rider and the Economic Development Rate Service Agreement ("the Effective Rate Period"):

- 30% in the first year of the Effective Rate Period;
- 20% in the second and third years the Effective Rate Period; and
- 10% in the fourth year of the Effective Rate Period

The discount to the BTER charge will revert to zero (0%) in the fifth year of the Effective Rate Period, and the customer will resume paying the standard BTER charge as all other customers under the OARS. Special Conditions 4 and 5 below describe the Economic Development Rate Service Agreement ("Service Agreement") and the five-year Rate Effective Period.

## OTHER NEVADA INCENTIVE PROGRAMS

- Real Property Tax Abatement for Recycling
- Silver State Works Employee Hiring Incentive
- Renewable and Energy Storage Abatements
- Property Tax Abatement for Renewable Energy
- Renewable Energy Systems Property Tax Exemption
- Catalyst Fund
- Industrial Development Bonds
- Portfolio Energy Credits

For more information, contact:

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