

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS OHIO

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

OHIO’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOB	INCENTIVES
Hirschvogel Automotive Group	\$50.0	37	\$3.2
Fuyao Glass America	\$130.0	750	\$4.0
TimkenSteel	\$41.0	12	\$2.1
Tri-State Beef	\$30.0	250	\$0.5
CoverMyMeds	\$3.3	100	\$0.5
Columbus Casting	\$16.0	550	\$1.8
MSC Industrial Supply	\$55.5	300	\$9.0
Xerion Advanced Battery Corporation	\$1.1	52	\$0.5
GE Aviation	\$140.0	53	\$2.5
Vadata	\$1,100.0	120	\$81.0
Alliance Data Systems	\$80.0	700	\$11.2
Fuyao Glass America	\$230.0	800	\$11.4

OVERVIEW OF MAJOR OHIO INCENTIVE PROGRAMS

JOBSOHIO ECONOMIC DEVELOPMENT GRANT

The JobsOhio Economic Development Grant was created to promote economic development, business expansion, and job creation by providing funding for eligible projects in the State of Ohio. Grant decisions are based on a number of project factors, including but not limited to job creation, additional payroll, fixed-asset investment commitment, project return on investment, and project location.

The Program required the creation of jobs within a specified period of time (typically three years), and may consider the amount of proceeds per jobs created. In addition to new jobs, JobsOhio Economic Development Grant Program may consider providing assistance for eligible projects that improve operational efficiencies and product expansion, along with the retention of jobs. The Program includes projects by companies engaged in JobsOhio's targeted industries and business functions. JobsOhio will set a wage floor based on multiple wage considerations. Ineligible projects include – but are not limited to – retail and other population-driven businesses.

The JobsOhio Economic Development Grant focuses on fixed-asset and infrastructure investment by companies, including the following:

- Freight shipping of equipment related to the project
- Infrastructure including utility, telecommunications, information technology
- Site development costs
- Purchase of land
- Machinery and equipment
- Leasehold improvements
- Fees and material costs related to planning or feasibility studies
- Moving and relocation costs of machinery and equipment related to the project
- Engineering services

The JobsOhio Economic Development Grant term is based upon the project's completion date (typically three years) and reimbursements are made based on performance.

RESEARCH & DEVELOPMENT

RESEARCH & DEVELOPMENT INVESTMENT TAX CREDIT

The Research and Development Tax Credit provides a non-refundable tax credit for qualified research and development expenses. Qualifying expenses fit into two categories: in-house research expenses (such as wages and supplies), and contracted research expenses. The credit equals 7 percent of the amount of Qualified Research Expenses in excess of the taxpayer's average investment in Qualifying Research Expenses

Ohio shows an average deal value of \$1.41 million with 103 new jobs created per deal

the taxable year in which it is earned may be carried forward for up to seven years.

RESEARCH & DEVELOPMENT SALES TAX EXEMPTION

The Research and Development Sales Tax Exemption exempts business from the entire state and county sales tax for purchases of qualified machinery and equipment used primarily for research and development. This exemption provides significant savings for companies undertaking research and development activities in Ohio.

The exemption applies to machinery and equipment included in research and development activity in both direct and pure research. Direct research refers to research conducted to design, create or formulate new or better products, equipment or processes. Pure research refers to scientific or technological inquiry and experimentation in the physical sciences. To receive the tax exemption, the purchaser/vendor must complete an Ohio Department of Taxation Sales and Use Tax Blanket Exemption Certificate.

INVESTOHIO

The InvestOhio program provides a non-refundable tax credit that can be used against Ohio's personal income tax for investors in qualifying Ohio small businesses. The InvestOhio credit is available to any person, trust, or estate subject to Ohio personal income tax that makes a cash investment in a qualifying small business entity (SBE). To be an eligible SBE, the business must have:

- Less than \$50 million in assets or less than \$10 million in annual sales
- At least 50 full-time equivalent employees subject to Ohio withholding tax. An SBE with less than 50 full-time equivalent employees may still qualify for the credit so long as more

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over the three preceding taxable years. Any excess credit not used for

- subject to Ohio withholding tax.

The credit amount is 10 percent of an investor's qualifying investments in qualifying SBEs and is limited to \$1 million per investor (\$2 million for married investors filing jointly). To claim the credit, the SBE must use the investment to purchase tangible personal property, motor vehicles, intangible personal property, or real property located or used within Ohio. The SBE may also use the investment for payroll costs associated with retained or new employees. These purchases must be made within six months of the investment; other conditions and limitations apply to certain expenditures. All qualifying purchases must be identified upon application and purchased before the credit may be claimed.

JOB CREATION TAX CREDIT

The Job Creation Tax Credit is a refundable tax credit to companies generally creating at least 10 new jobs (within three years) with a minimum annual payroll of \$660,000, that pay at least 150 percent of the federal minimum wage. The tax credit is measured as a percentage of the state income tax withholdings for all new employees hired under the program, and is applied toward the company's commercial activity tax liability. Should the amount of the credit exceed the company's commercial activity tax liability for any given year, the difference is refunded. A business must apply for the credit before committing to the project. Approved projects generally range between 25-55 percent credit for a period of five to seven years. Applicants must be approved through the Ohio Tax Credit Authority before hiring begins.

JOBSOHIO WORKFORCE GRANT

The JobsOhio Workforce Grant was created to promote economic development, business expansion, and job creation by providing funding for the improvement of worker skills and abilities in the State of Ohio. Grant decisions are based on a number of project factors, including but not limited to job creation, additional payroll, fixed-asset investment commitment, project return on investment, and project location.

The program requires job creation and training of employees within a specified period of time (typically 3 years), and may consider the amount of proceeds per job created and employee trained. In addition to new jobs and employees trained, JobsOhio may consider providing assistance for eligible projects that improve operational efficiencies and production expansion, along with the retention of jobs. The program includes projects by companies engaged in JobsOhio's targeted industries and business functions. JobsOhio will set a wage floor based on multiple wage considerations. Ineligible projects include but are not limited to retail and other population driven businesses.

The JobsOhio Workforce Grant focuses on a company's training costs, including the following:

- Information technology
- Maintenance, skilled trades
- Leadership skills

than half of all their full-time equivalent employees are

- Product knowledge
- Quality management and processes
- Safety training
- Supervisory
- Technical processes
- Technical training
- On-the-job training
- Equipment
- Materials
- Travel costs
- Co-Op
- Apprenticeship

The JobsOhio Workforce Grant term is based upon the project's completion date (typically three years). The Grant is reimbursement-based, and thus requires supporting documentation to monitor performance.

OTHER OHIO INCENTIVE PROGRAMS

- Alternative Fuel Transportation Program
- Ohio Vacant Facilities Fund
- JobsOhio Revitalization Program
- JobsOhio Growth Fund Loan
- Roadwork Development (629) Grant
- Innovation Ohio Loan Fund
- Ohio Motion Picture Tax Incentive
- Ohio Historic Preservation Tax Credit Program
- Ohio New Markets Tax Credit Program
- Job Retention Tax Credit
- Conversion Facilities Tax Exemption
- Ohio Community Reinvestment Area
- Ohio Enterprise Zone Program
- Ohio Enterprise Bond Fund

For more information, contact:

Alexander Frei

Co-Head, Business Incentives Practice for the Americas
T +1 (312) 470 1836
alex.frei@cushwake.com

Aaron Hirschl

Consulting Analyst
T +1 (312) 470 2373
aaron.hirschl@cushwake.com