

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS NORTH DAKOTA

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

NORTH DAKOTA’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Wal-Mart	\$15.0	167	\$0.40
Northern Plains Electric Coop	N/A	6	\$0.7
Menards	N/A	130	\$5.7
GIANT Snacks	\$2.0	10	\$0.5
Eid Passport	N/A	33	\$1.0
Schuff Steel Company	N/A	300	\$7.1

OVERVIEW OF MAJOR NORTH DAKOTA INCENTIVE PROGRAMS

CORPORATE INCOME TAX EXEMPTION

New corporations that qualify as primary sector businesses may pay \$0 in corporate income taxes for the first five years of their existence in North Dakota, if they apply for and are granted an exemption through the State Board of Equalization. Significant expansions beyond the initial location of a primary sector business may apply for an additional five-year corporate income tax exemption.

PROPERTY TAX EXEMPTION

Personal property is exempt from taxation with the exception of certain oil and gas refineries and utilities in North Dakota. This means there is no property tax on items such as office equipment, inventory, accounts receivable or materials.

Local taxing authorities in North Dakota control property tax rates and exemptions. Any new or expanding business project may be granted a property tax exemption for up to five years. Two extensions are available:

- Agricultural processors may be granted a partial or full exemption for up to five additional years.
- A project located on property leased from a government entity qualifies for an exemption for up to five additional years upon annual application by the project operator.

In addition to or in lieu of a property tax exemption, a company may negotiate payments in lieu of taxes for up to 20 years from the date of commencement of project operations.

North Dakota property tax is determined by multiplying the taxable value of real property -- land and buildings -- by the local mill rate. North Dakota commercial property tax is calculated by multiplying true and full value of commercial property, which the local assessor establishes, by 50 percent to reach assessed value; then multiplying assessed value by 10 percent to reach taxable value; and then multiplying taxable value by the local mill rate.

SALES & USE TAX EXEMPTION

North Dakota provides sales tax exemptions for equipment and materials used in manufacturing and other targeted industries. A new or expanding plant may be exempt from sales and use tax on purchases of machinery or equipment used for manufacturing, agricultural commodity processing or recycling.

Other exemptions available include:

- Sales and use tax exemption for purchases of computer and telecommunications equipment that is part of a primary sector business or a physical or economic expansion of a primary sector business. The exemption does not extend to the purchase of

North Dakota shows an average deal value of \$2.56 million with 108 new jobs created per deal

replacement equipment.

- Construction materials used to construct an agricultural processing facility may be exempt from sales and use taxes.
- Additional exemptions for all businesses include electricity, interstate communications over phone lines and natural gas. Applications for sales tax exemptions are made through the State Tax Commissioner. If the exemption is not approved prior to purchase, the manufacturer, recycler, agricultural commodity processor or other primary sector business must pay the tax and apply for a refund.

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RESEARCH EXPENSE CREDIT

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for conducting research in North Dakota. The credit is equal to a percentage of the excess of qualified research expenses in North Dakota over the base period research expenses.

A business must be certified as a "qualified research and development company" before a taxpayer can elect to sell, transfer, or assign all or part of its unused Research and Experimental Expenditure Tax Credit.

OTHER NORTH DAKOTA INCENTIVE PROGRAMS

- Beginning Entrepreneur Loan Guarantee Program
- Business Development Loan Program
- Export Enhancement Program
- PACE Program
- Industrial Development Bond Program
- Main Street Loan Program
- MATCH Program
- New Venture Capital Fund
- Value-Added Agriculture Equity Loan Program
- Wind Turbine Electric Generation Property Tax Reduction
- Income Tax Exemption
- Agricultural Commodity Processing Facility Investment Credit
- Angel Fund Investment Credit
- Biodiesel Tax Credit
- Biomass, Geothermal, Solar, or Wind Energy Credit
- Certified Nonprofit Development Corporation Investment Credit
- Internship Employment Credit
- Microbusiness Income Tax Credit
- Automation Credit
- SEED Capital Investment Credit
- Wage & Salary Credit
- Workforce Recruitment Credit
- Renaissance Zones
- Jobs Training Assistance
- Workforce 20/20

For more information, contact:

Alexander Frei

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

Aaron Hirschl

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