

# BUSINESS INCENTIVES PRACTICE

## MAJOR INCENTIVE PROGRAMS ILLINOIS

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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

### ILLINOIS’ RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOB	INCENTIVES
Robert Bosch Tools	\$3.5	10	\$0.5
Prescient Edge	\$6.6	60	\$1.7
Cronus Chemicals	\$1,400.0	175	\$42.3
Coyote Logistics	\$4.0	500	\$2.5
Focal Point	\$6.1	50	\$3.1
DualTemp	N/A	11	\$0.4
SpringCM	\$8.0	500	\$2.3
AFCO Industries	\$1.9	19	\$0.1
Union Iron	\$10.3	25	\$1.1
AAR Corporation	N/A	500	\$15.6
SKF USA	\$18.6	80	\$2.2
Weber-Stephen Products	\$26.6	120	\$4.2

## OVERVIEW OF MAJOR ILLINOIS INCENTIVE PROGRAMS

### LARGE BUSINESS DEVELOPMENT PROGRAM (LBDP)

This program provides incentive financing to encourage large companies (500+ employees) to locate or expand their business in Illinois. Funds may be used for typical business activities, including financing the purchase of land and buildings, construction, or renovation of fixed assets and site preparation.

Funds are targeted for projects that will result in substantial private investment and the creation and/or retention of 300 or more jobs. There are no official guidelines defining the amount of the grant; however, projects with a significant economic and fiscal impact to the state and community, projects with substantial job creation or job retention, and project with a significant private investment will be given preference for funding.

### EMPLOYER TRAINING INVESTMENT PROGRAM (ETIP)

Training grants are designed for businesses operating or locating in Illinois in conjunction with planned permanent expansion, location or retention activities. Priority is given to businesses that promote high skill, high wage jobs for emerging and high-technology occupations.

Awarded training grants are contingent upon the availability of funds appropriated and released for the purposes authorized by this program and are limited up to 50% of approved training costs. Grants for employee training will allow for reimbursement or payment on the terms and conditions agreed to between the grantee and the Department through the execution of a Notice of Grant Agreement.

Illinois businesses may be eligible if they are:

- Expanding the business enterprise in Illinois
- Expanding into new markets
- Introducing more efficient technologies/continuous improvement systems into their operations, which will result in greater output per employee
- Training full-time Illinois employees (part-time, temporary or seasonal workers are not eligible)
- Expanding exports from Illinois
- Providing additional training to employees who will be threatened with layoff

Eligible training activities include:

- Training programs required to respond to new or changing technologies, processes, product lines, machinery or equipment being introduced in the workplace
- Training necessary to implement continuous improvement systems in the workplace, including quality certifications

set forth by the State through a development agreement. The applicant

# Illinois shows an average deal value of \$7.49 million with 112 new jobs created per deal

- Training employees in skills necessary to enable the company to establish/maintain or expand into new export markets
- Basic and/or remedial training, including English as a Second Language, of employees as a prerequisite for other vocational or technical skills training
- Training related to regulatory compliance issues mandated for the workplace

### ECONOMIC DEVELOPMENT FOR A GROWING ECONOMY (EDGE)

**\*\*The Illinois Economic Development for a Growing Economy (EDGE) tax credit program is due to “sunset” on December 31, 2016.**

EDGE tax credits are taken against state corporate income tax liability over a period not to exceed 10 continuous taxable years. The amount of the annual tax credit is calculated on a case by case basis. The annual tax credit cannot exceed the incremental income tax withholdings created by a project. Unused tax credits can be carried forward for five years and are not refundable.

A project must add to the export potential of Illinois and must also be an expansion of an existing operation or a new location. Plant relocations within Illinois are eligible for consideration only if there is a documented and substantiated business reason why their current location is inadequate.

Each project will be required to make a capital investment of at least \$5.0 million and create a minimum of 25 new jobs (excluding recalls, transfers, etc.), or the project must meet the investment and job creation, and/or retention requirements as businesses must make an investment of at least \$5 million in qualified property that creates a minimum of 200 full-time-

must demonstrate and provide evidence that without the tax credit, the project would not occur in Illinois. The credit is based upon the personal state income tax<sup>1</sup> collected on salaries paid to full-time employees holding the new or retained jobs.

A business must maintain operations at the project site for a minimum of ten years beginning on the date the Project is placed in service. If a Project is discontinued during the five-year period after the beginning of the first tax year for which a tax credit certificate was issued, then Project will be required to repay any credits previously taken. Discontinuance of operations after said initial five-year period shall not result in the forfeiture of any tax credits previously taken by the Project.

### HIGH IMPACT BUSINESS (HIB)

A business can be designated by the Department of Commerce and Community Affairs (“DCCA”) as a High Impact Business (“HIB”) if it is not located in an Enterprise Zone and is found by the DCCA to promote the growth and expansion of the private sector through a large scale investment and development project as defined by law.

HIB provides for an investment tax credit and sales tax exemptions on building materials, gas and electricity, manufacturing and equipment repairs as well as replacement parts.

A business must make: (1) a minimum eligible investment of \$12 million, which will be placed in service in qualified property in Illinois and is intended to create 500 full-time equivalent jobs at a designated location in Illinois; or (2) a minimum eligible investment of \$30 million, which will be placed in service in qualified property in Illinois and is intended to retain 1,500 full-time equivalent jobs at a designated location in Illinois.

HIB benefits include:

- Income tax credit for investments in qualified property
- Sales tax exemption on building materials
- State and local utility tax exemptions
- Sales tax exemptions on consumables used in manufacturing process
- Jobs credit for businesses in a Foreign Trade Zone
- Telecommunications tax exemptions

The credit is available in the tax year in which the property is placed in service and cannot exceed the taxpayer’s liability. Any excess credit may be carried forward five-(5) years if the credit exceeds tax liability for the year in which the property is placed in service. The credit is 0.5 percent of the property’s basis.

A sales and use tax exemption is permitted for building materials incorporated in HIB real estate. A state utility tax exemption on gas,

electricity and the Illinois Commerce Commissions’ administrative charge is available to a HIB that meets certain additional criteria. Eligible equivalent jobs in Illinois, and investment of \$20 million that retains at least 1,000 full-time-equivalent jobs, or an investment of \$175 million that creates 150 full-time-equivalent jobs in Illinois.

## OTHER ILLINOIS INCENTIVE PROGRAMS

- ADVANTAGE Illinois
- Business Development Public Infrastructure Program
- Community Development Assistance Program for Economic Development
- Community Service Block Grant Loan
- Illinois Department of Agriculture AGRIFIRST Grant
- IDOT
- Job Training and Economic Development
- State Energy and Sector Partnerships
- Training for Tomorrow
- Enterprise Zone Program
- Illinois Angel Investment Credit Program
- Illinois Film Services Tax Credit
- Illinois Historic Preservation Tax Credit Program
- Illinois Small Business Jobs Creation Tax Credit Program
- New Markets Development Program
- TIF Tax Increment Financing Districts
- River Edge Redevelopment Zone

For more information, contact:

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<sup>1</sup> The Illinois personal state income tax was increased from 3.0% to 5.0% as of 1/1/2011 and shall be in effect through 2015. Starting in 2016 the rate is scheduled to be adjusted down to 3.25%.

