

# Tax Structure and Economic Development Incentive/Financing Comparison

Iowa  
Nebraska  
Minnesota  
South Dakota

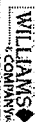
# Tax Types

Type of Tax	Iowa	Minnesota	Nebraska	South Dakota
Sales & Use	Applicable	Applicable	Applicable	Applicable
Local Option /Municipal	Applicable	Applicable	Applicable	Applicable
Contractors Excise	Not Applicable	Not Applicable	Not Applicable	Applicable
Tourism	Not Applicable	Not Applicable	Not Applicable	Applicable
Lodging or Hotel/Motel	Applicable	Applicable	Applicable	Applicable
Motor Fuel	Applicable	Applicable	Applicable	Applicable
Leased & Purchased Motor Vehicle	Applicable	Applicable	Applicable	Applicable
Estate	Not Applicable	Applicable	Applicable	Not Applicable
Inheritance	Applicable	Not Applicable	Applicable	Not Applicable
Insurance Premium	Applicable	Applicable	Applicable	Applicable

Type of Tax	Iowa	Minnesota	Nebraska	South Dakota
Unemployment	Applicable	Applicable	Applicable	Applicable
Corporate Income	Applicable	Applicable	Applicable	Not Applicable
S-Corp return/ fees	Applicable	Applicable	Applicable	Not Applicable
Property	Applicable	Applicable	Applicable	Applicable
Personal Property	Not Applicable	Not Applicable	Applicable	Not Applicable
Franchise	Applicable	Applicable	Applicable	Applicable
Workers Comp	Applicable	Applicable	Applicable	Applicable
Individual Income	Applicable	Applicable	Applicable	Not Applicable
Individual Local Income	Not Applicable	Not Applicable	Not Applicable	Not Applicable

## Sales & Use Tax

- Iowa
  - 5% on tangible personal property and certain services
  - Sales of manufacturing machinery, equipment and replacement parts are exempt
- Minnesota
  - 6.5% on most retail sales and eight specific services
  - A refund may be claimed for certain capital equipment
    - Must be for manufacturing, mining, or refining to be sold at retail



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## Sales & Use Tax

- Nebraska
  - 5.5% on all sales including certain services
  - Manufacturing machinery and equipment is exempt, along with repairs on such equipment
- South Dakota
  - 4% on all sales
  - No manufacturing exemptions



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## Local Option/Municipal Tax

- Iowa
  - Up to 1% depending on location
  - SILO – an additional 1% for school infrastructure
- Minnesota
  - Local sales taxes ranging from 0.50% to 2%
  - Additional special tax on certain services ranging from 1% to 6%
- Nebraska
  - Local sales taxes ranging from 0.50% to 1.5%
- South Dakota
  - Local sales and service tax up to 2%
  - 1% municipal gross receipts tax



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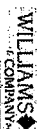
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## Contractor's Excise Tax

- Iowa
  - Not Applicable
- Minnesota
  - Not Applicable
- Nebraska
  - Not Applicable
- South Dakota
  - 2% tax imposed on the gross receipts of contractors engaged in construction services and realty improvements in South Dakota



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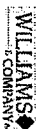
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## Tourism Tax

- Iowa
  - Not Applicable
- Minnesota
  - Not Applicable
- Nebraska
  - Not Applicable
- South Dakota
  - 1% tax imposed on gross receipts of certain lodging and amusement services including hotels, campgrounds, car rentals, recreation equipment, events and attractions.



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## Lodging or Hotel/Motel Tax

- Iowa
  - Gross receipts from lodging rentals ranging from 1% to 7%
- Minnesota
  - Gross receipts from lodging rentals ranging from 3% to 6%
- Nebraska
  - 1% lodging tax imposed at State level
  - County specific lodging tax ranging from 1% to 4%
- South Dakota
  - 1% state wide tourism tax
  - Sioux Falls has additional 1% lodging tax



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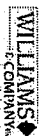
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## Motor Fuel Tax

- Rates Per Gallon
- Iowa
  - Gasoline 20.7¢
  - Gasohol 19.0¢
  - Diesel 22.5¢
  - Ethanol 17.0¢
- Rates subject to change annually
- Minnesota
  - All fuels 20.0¢
- Rates effective since 1998
- Rates Per Gallon
- Nebraska
  - All Fuels 25.3¢
- Rates effective since 2005 and subject to change semi-annually
- South Dakota
  - Gasoline 22.0¢
  - Gasohol 20.0¢
  - Diesel 22.0¢
  - Ethanol 10.0¢
- Rates effective since 1999




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## Leased & Purchased Motor Vehicle Tax

- Iowa
  - 5% on vehicles less than 16,000 lbs
  - Not subject to local option taxes
- Minnesota
  - 6.5% state sales tax
  - Leases also subject to local sales tax (purchases are not)
- Nebraska
  - 5.5% state sales tax
  - Also subject to local sales tax when applicable
  - Personal property tax on an annual basis
- South Dakota
  - 3% on vehicles less than 16,000 lbs
  - Not subject to local option taxes




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## Insurance Premium Tax

- Iowa
  - 2% on adjusted gross premiums received by insurance company
- Minnesota
  - 1% to 2% net taxable business based upon type of insurance company and amount of total assets
- Nebraska
  - 0.50% to 1% of gross premiums based upon type of insurance company
- South Dakota
  - 2.5% of total premiums received




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## Unemployment Taxes

- Iowa
  - 1% to 8% new business rate
  - Tax computed on \$21,300 per employee
- Minnesota
  - 2.88% to 9.96% new business rate
  - Tax computed on \$23,000 per employee
- Nebraska
  - 2.5% new business rate (construction based upon highest prior year average rate)
  - Tax computed on \$8,000 per employee
- South Dakota
  - 1.9% to 5.7% new business rate
  - Tax computed on \$7,000 per employee




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## Corporate Income Taxes

- Iowa
  - Rates range from 6% to 12%
  - Taxable income same as Federal adjusted as follows:
    - Allows 50% deduction for Federal tax paid
    - Municipal interest income added back
    - State income tax paid added back
- Minnesota
  - 9.8% of taxable income
  - Taxable income same as Federal adjusted as follows:
    - Municipal interest income added back
    - State income tax paid added back
    - Certain depreciation deductions added back




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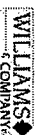
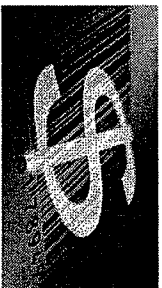
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## Corporate Income Taxes

- Nebraska
  - Rates range from 5.58% to 7.81%
  - Taxable income same as Federal adjusted as follows:
    - Municipal interest income added back
    - State income tax paid is allowed as deduction
    - Certain depreciation deductions added back
- South Dakota
  - No state imposed income tax




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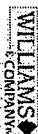
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## Corporate Income Tax

- Corporate earnings are taxed in the State earned whenever nexus is created by an entity.
  - For Example:
    - A business located in South Dakota
    - 40% of total income earned in South Dakota
    - 60% of total income earned in Iowa
      - Only 40% of total income not subject to income tax
      - 60% of total income will be taxed in Iowa



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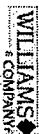
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## S-Corporation Fees

- Iowa
  - No S-corporation taxes or fees
  - Return is required
- Minnesota
  - Return is required
  - Minimum filing fees
    - Ranging from \$0 to \$5,000 based upon Minnesota apportionments
- Nebraska
  - Return is required
  - Certain individual withholding required for nonresident shareholders.
- South Dakota
  - Not applicable



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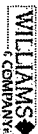
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## Property Taxes

- Iowa
  - Levied on the taxable value of real property
  - Tax is a composite of county, city, school district and special levies and varies by jurisdiction
  - No average levy rate is available
- Minnesota
  - Levied on the estimated market value and the classification of all property
  - In addition there is a state wide general levy
  - 1.5% of the first \$150,000 and 2% on remaining value



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## Property Taxes

- Nebraska
  - Levied on actual market value of real estate
  - Statewide average is 1.9607% of assessed value
- South Dakota
  - Levied on full and true market value per assessor
  - Statewide average is \$31.77892 per \$1,000 of valuation



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## Personal Property Taxes

- Not Applicable
  - Iowa
  - Minnesota
  - South Dakota
- Nebraska
  - All depreciable tangible business property, used in the production of income
  - Statewide average rate is 1.9607% of Nebraska book value



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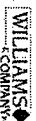
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## Franchise Tax

- Iowa
  - 5% imposed on taxable income of financial institutions
- Minnesota
  - 9.8% imposed on taxable income of financial institutions
- Nebraska
  - 0.047% of average deposits for financial institutions not to exceed 3.81% of net income
  - South Dakota
    - Rates range from 0.25% to 6% on net income with a minimum of \$200 per location



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## Workers Compensation Premiums

- Premiums are based on individual state rules, industry classifications and rates. Rates are determined using several different variables, including experience rating, and claims incurred.

Example rates are as follows in Dollars per \$100 of covered wages

Classification	Iowa	Minnesota	Nebraska	South Dakota
Manufacturing	2.12	4.88	4.55	2.88
Construction	51.40	33.30	30.50	28.08
Chemical	.38	.40	.70	.53
Fast Food	2.35	2.89	4.10	2.08

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## Individual State Income Taxes

- Iowa
  - Rates range from 0.36% to 8.98%
  - Federal income taxes are allowed as deduction
  - Possible School District Surtax not to exceed 20% of state tax liability
- Minnesota
  - Rates range from 5.35% to 7.85%
  - Federal income taxes are not allowed as deduction
- Nebraska
  - Rates range from 2.56% to 6.84%
  - Additional tax imposed on incomes over \$142,700
  - Rates range from 0.428% to 0.172% with limit of \$1309.50
  - Federal income taxes are not allowed as deduction
  - South Dakota
    - Not Applicable

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## Local Income Taxes

- No States currently reviewed have a local income tax

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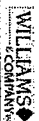
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## Estate Taxes

- Iowa
  - Not applicable
- Minnesota
  - Rates range from 0.8% to 16% on taxable estate property in Minnesota
- Nebraska
  - Rates range from 5.6% to 16.8% of taxable valuation with a statutory deduction of \$1,000,000
- South Dakota
  - Not applicable
- \$1,000,000 exemption



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## Inheritance Taxes

- Iowa
  - Rates range from 5% to 15% dependent upon the amount of the inheritance and the relationship of the recipient to the decedent
- Minnesota
  - Not applicable
- Nebraska
  - Rates range from 1% to 18% based upon clear market value of property. The rate is determined by the relationship of the recipient to the decedent
- South Dakota
  - Not applicable



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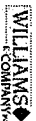
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## Economic Development Incentives and Financing



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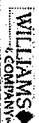
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## Iowa Incentives

- Iowa Corporate Income Tax
  - Based only on Iowa income and allows 50% deduction of federal taxes
  - No sales or use tax on manufacturing machinery and equipment
  - Local property tax abatement
    - 5 year graduated abatement
- High Quality Job Creation Program (HQJCP)
  - Various tax credits available for qualifying business
    - Targeted industries, employee benefits and building specifications
- Enterprise Zones
  - For economically depressed areas
    - Investment tax credit of at 10% of new investment
    - Up to 13% R&D credit
- Tax Incremental Financing
  - Established at local level
  - For construction of infrastructure or other incentives
- Assistive Device Tax Credit
  - Credits for providing upgraded facilities for disabled employees




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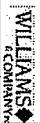
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## Iowa Incentives

- Research and Development Tax Credit
  - 6.5% of qualifying expenditures in Iowa
- Industrial New Jobs Training Program
  - 1.5% of employee state income tax withholding is eligible for diversion into this program
  - Manufacturing, processing, assembling, warehousing, wholesaling, or R&D are eligible




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## Iowa Financing

- Iowa Values Fund
- Community Economic Development Account (CEBA)
- Iowa Loan and Credit Guarantee Fund
- Economic Development Set-Aside (EDSA)
- Entrepreneurs with Disabilities (EWD)
- Self Employment Loan Program (SELP)
- Physical Infrastructure Assistance Program (PIAP)
- Public Facilities Set Aside Program (PFSA)
- Value Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP)
- Entrepreneurial Ventures Assistance Program (EVA)
- City Sales Tax Economic Development Fund
- Targeted Small Business Financial Assistance Programs (TSB)
- Export Trade Assistance Program (ETAP)
- Community Development Block Grant Funds




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## Minnesota Incentives

- Job Opportunity Building Zones (JOBZ)
  - To stimulate development in rural Minnesota
  - 29,000 acres designated in entire State
- Qualified businesses include
  - New starts, out of state relocations, in state relocations with employment increases
  - Does not include retail
- Wages to be at least 110% of federal poverty level
- Tax exemptions include
  - Corporate Franchise Tax
  - Individual Income Tax for operators and investors
  - Sales Tax on products used in the zone
  - Property Taxes on commercial and industrial development, not land
  - Employment tax credit for high paying jobs

 WILLIAMS  
OF MINNESOTA

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## Minnesota Incentives

- Biosciences Initiative
  - Located in corridor between Minneapolis and Rochester to help existing and start-up bioscience companies
- Qualified businesses include
  - New start-ups, relocation to the zone with employment expansion
- Credits include
  - Corporate Income Tax
  - Sales and Use Tax
  - Property Tax
  - Job creation and R&D credits also available

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## Minnesota Incentives

- Border Cities Enterprise Zone Program
  - Provides various tax credits to qualifying businesses in border cities of Breckenridge, Dilworth, East Grand Forks, Moorhead or Ortonville
  - Can not be an entertainment or recreation business
- Credits include
  - Property Tax
  - Sales Tax
  - Certain employee credits

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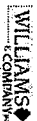
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## Minnesota Incentives

- Small Business Innovation Research and Small Business Technology Transfer Programs
  - Provides grants and contracts to small and start-up companies to develop new products and services based on advanced technologies. Used to fund small business R&D
- Tax Increment Financing
  - Local authorities ability to divert property tax dollars to promote local economic development



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## Minnesota Financing

- Minnesota Investment Fund
  - Grants to local governments used for loans to help businesses acquire fixed assets
  - Focused on industrial, manufacturing and technology related industries
  - Maximum \$500,000 loan and limited to 50% of project
- Minnesota Job Skills Partnership
  - Funded through educational institutions that partner with businesses to develop new job training or retraining of existing employees
  - Requires a cash or in-kind one to one match from the business



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## Minnesota Financing

- Pathways Program
  - Part of Job Skills Partnership, focused on individuals at or below 200% of federal poverty level or transitioning from public assistance to the workplace
- Small Business Development Loan Program
  - Industrial and manufacturing small businesses locating in Minnesota
  - Maximum loan of \$5,000,000 with minimum 20% private financing or equity
- Urban Initiative Loan Program
  - Provides equipment and working capital financing for minority owned businesses in Minneapolis, St. Paul area
  - 2% to 10% loans with maximum loan of \$300,000
  - Must be matched one-to-one with private money



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## Nebraska Incentives

- Nebraska Advantage Act
  - Tier 1 - \$1,000,000 of investment and 10 jobs
    - Refund ½ of sales taxes paid for qualifying property
    - 3% to 6% wage credit depending upon wage level
    - 3% investment tax credit
    - Manufacturing, R&D or testing, technology related
  - Tier 2 - \$3,000,000 of investment and 30 jobs
    - Sales tax refund
    - Wage Credits
    - 10% investment tax credit



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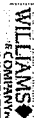
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## Nebraska Incentives

- Nebraska Advantage Act
  - Tier 3 – Jobs only tier
    - 30 or more jobs created with no capital investment
    - Eligible for wage credit only
  - Tier 4 - \$10,000,000 investment and 100 jobs
    - Sales tax refund
    - Wage credit
    - 10% investment tax credit
    - Personal property tax credit on certain property for 10 years
  - Tier 5 – Investment only tier
    - \$30,000,000 in investment with no jobs increase
    - Sales tax refund on eligible property



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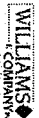
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## Nebraska Incentives

- Research and Development Advantage
  - 3% credit on increased R&D expenditures
- Micro-enterprise Tax Credit Advantage
  - 20% investment tax credit for businesses with 5 or fewer employees
  - Maximum of \$10,000 credit
- Rural Development Advantage
  - Counties with less than 25,000 populations
  - Five new employees and \$250,000 of investment
  - \$3,000 per job created and \$2,750 for each \$50,000 of new investment



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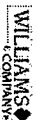
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## Nebraska Incentives

- State and Local Sales Tax Exemption on Manufacturing Machinery, Equipment and Services
  - Qualifying property exempt from sales tax
- Nebraska Agriculture Innovation Advantage
  - \$75,000 grants to qualifying value added products sold by producers
- Building Entrepreneurial Communities Act
  - \$75,000 grants to rural communities to implement collaborative projects addressing issues related to chronic economic distress



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## Nebraska Incentives

- Nebraska Customized Job Training Advantage
  - Portion of starting wage to be granted to eligible businesses based upon starting wage rate
- Customized Training to Improve Productivity (no job creation)
  - Provided when there is investment in new capital related to skill development and a corresponding increase in wage rates.
    - Assistance ranges from \$500 to \$900 per employee depending on percentage wage increase
- Tax Increment Financing
  - Local authorities ability to divert property tax dollars to promote local economic development



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## Nebraska Financing

- Direct Loan Program
  - \$5,000 to \$25,000 loans to qualifying businesses
  - Low interest loans with maximum 6 year terms
- Peer Loan Program / Quick Grow Loan Program
  - Variations of Direct Loan Program with \$5,000 maximum loans
- Northeast Nebraska Economic Development District
  - \$10,000 to \$100,000 loans for qualifying businesses in the District with repayment terms of 3 to 15 years



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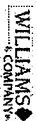
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## Nebraska Financing

- Energy Saving Loans
  - Low interest loans provided for energy efficiency improvements
- Community Development Block Grant Funds
  - Federal program used by local governments for a range of activities
- Local Option Municipal Economic Development Act
  - Allows for Cities and Villages to collect sales and property taxes if approved by the voters, for economic development purposes



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## South Dakota Incentives

- No corporate, personal, inheritance or estate taxes
- Construction tax refund
  - Several programs for the owner of the project to apply for sales, contractor excise and municipal tax refunds or deferrals
- Property Tax Abatements
  - Five year abatements of 0% to 100% available from the local county commissioners
- Tax Increment Financing
  - Local authorities ability to divert property tax dollars to promote local economic development



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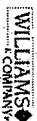
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## South Dakota Financing

- Revolving Economic Development and Initiative Fund
  - 3% loan up to 45% of the total project costs
- Agricultural Processing and Export Loan Program
  - Companies in communities of 25,000 or less
  - \$150,000 loan with maximum of 75% of project
  - Available for value added agricultural companies



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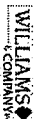
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## South Dakota Financing

- MicroLOAN South Dakota
  - Small business loans
  - Includes Retail
- Bond Financing
  - Industrial, processing or manufacturing businesses
  - Up to 80% financing available with tax exempt financing
- Value Added Agriculture Subfund
  - Loans to fund feasibility and marketing studies for valued added agriculture businesses
  - Loans available for 50% of the study



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## South Dakota Financing

- Value Added Tourism Subfund
  - Loans to fund feasibility and marketing studies for valued added tourism projects
  - Loans available for 50% of the study
- Capital Investment Entity Program
  - 25% State match of conventional financing
  - Market rate of interest is charged
- Entrepreneur Support Program
  - Varying loans for start up businesses with 3 year interest holiday
- Workforce Development Program
  - 50% of eligible training costs granted to companies
- Community Development Block Grant Funds
  - Federal program used by local governments for a range of activities



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# Example Results

## No Enterprise and JOBZ Zones

Summary of Taxes	Iowa	Minnesota	Nebraska	South Dakota
Sales Tax	\$ 262,500	\$ 341,250	\$ 288,750	\$ 468,000
Contractor's Excise Tax	-	-	-	72,864
Unemployment Tax	43,665	135,790	41,000	24,969
Corporate Income Tax	99,225	161,715	100,540	85,835
Property Tax	776,195	676,005	392,140	538,730
Personal Property Tax	-	-	345,429	-
Owner's Individual Income Tax	44,470	47,960	45,125	-
Overall Tax Burden	1,226,055	1,362,720	1,212,984	1,190,398
<u>Tax Credits and Incentives</u>				
Property Taxes	(305,625)	-	-	(188,926)
Corporate Income Taxes	(39,375)	-	(43,240)	-
Sales Tax	(87,500)	-	(288,750)	-
Employee Withholding	-	-	(225,000)	-
Total Credit & Incentives	(432,500)	-	(556,990)	(188,926)
Net Tax Burden	\$ 793,555	\$ 1,362,720	\$ 655,994	\$ 1,001,472

# Example Results

## Enterprise and JOBZ Zones



	Iowa	Minnesota	Nebraska	South Dakota
Five Year Projection at current rates:				
<u>Summary of Taxes</u>				
Sales Tax	\$ 262,500	\$ 341,250	\$ 288,750	\$ 468,000
Contractor's Excise Tax	-	-	-	72,864
Unemployment Tax	43,665	135,790	41,000	24,969
Corporate Income Tax	99,225	161,715	100,540	85,835
Property Tax	776,195	676,005	392,140	538,730
Personal Property Tax	-	-	345,429	-
Owner's Individual Income Tax	44,470	47,960	45,125	-
Overall Tax Burden	1,226,055	1,362,720	1,212,984	1,190,398
<u>Tax Credits and Incentives</u>				
Property Taxes	(679,170)	(568,200)	-	(471,390)
Corporate Income Taxes	(39,375)	(107,190)	(43,240)	-
Sales Tax	(87,500)	(341,250)	(288,750)	-
Employee Withholding	-	-	(225,000)	-
Total Credit & Incentives	(806,045)	(1,016,640)	(556,990)	(471,390)
Net Tax Burden	\$ 420,010	\$ 346,080	\$ 655,994	\$ 719,008



Example

A manufacturing company organized as a regular C Corporation is the subject of this example. The example will depict the taxes and incentives that result from the company locating in each of the states in this comparison. The taxes and incentives will be displayed over a projected five-year period commencing with the company start of operations. Certain assumptions outlined below are being made to illustrate the overall tax burden and incentives associated with location to each state.

The Company total annual sales are projected at \$10,000,000. These sales will be apportioned equally to each of the states in this comparison. The assumption is that the company will be generating sales in each of the states in this comparison. It is assumed that the company will have distribution centers in each of the nonresident states, as well as the home state. This creates nexus for income tax purposes in each of the nonresident states. Sales will be apportioned annually as follows:

Iowa	\$2,500,000
Minnesota	2,500,000
Nebraska	2,500,000
South Dakota	2,500,000

The Company will purchase land and construct a building facility within the home state. For purposes of this example, the Iowa facility is assumed to be located within a qualified Enterprise Zone Program, under Iowa Code Sect. 15E.193. Therefore, the Company investment in land, building, and machinery will qualify for applicable investment tax credit. The Minnesota facility is assumed to be located in the Minnesota Job Opportunity Building Zone and qualify for sales tax exemptions and income tax credit. It is also assumed to meet requirements of Tier Two incentives under Nebraska Advantage program for Nebraska purposes. The following is a summary of the initial capital expenditures for the new company:

Land	\$ 500,000
Building Construction:	
Labor	1,750,000
Materials	1,750,000
Manufacturing Machinery and Equipment	5,000,000
Furniture and Fixtures	1,000,000

In addition to this, it is assumed the Company will annually replace manufacturing machinery and equipment at an annual rate of \$50,000.

The Company will create 40 new full-time jobs at an average wage of \$15 per hour. Owner compensation is assumed at \$200,000 annually.

The following is a condensed income statement for the Company:

Sales	<u>\$10,000,000</u>
Cost of Goods Sold:	
Materials	4,000,000
Labor	1,100,000
Manufacturing Utilities	250,000
Other Costs	<u>1,550,000</u>
Total Cost of Goods Sold	<u>6,900,000</u>
Gross Profit	3,100,000
Other Operating Expense	<u>2,600,000</u>
Income Before Income Tax	<u>\$ 500,000</u>

Local sales taxes were not considered in this example.

Other costs include \$500,000 of sales taxable purchases annually.

The costs associated with worker's compensation insurance have not been incorporated into this example because of the numerous variables that are associated with this cost.

Federal corporate income tax is estimated at \$170,000 annually.

Individual income taxes on owners' compensation is computed based upon married-filing-joint status, assuming all state income taxes are due in state which company is domiciled, i.e. owner lives in state where company is located. Itemized deductions include medical expenses of \$10,000, real estate taxes of \$5,000, home mortgage interest of \$8,000, and charitable contributions of \$2,500.

Tax incremental financing was not included in this example because of the local discretion involved in the use of these funds.

Iowa      Minnesota      Nebraska      South Dakota

Five year projection at current rates:

<u>Summary of Taxes</u>					
Sales Tax	\$ 262,500	\$ 341,250	\$ 288,750	\$ 468,000	
Contractors' Excise Tax	0	0	0	72,864	
Unemployment Tax	43,665	135,790	41,000	24,969	
Corporate Income Tax	99,225	161,715	100,540	85,835	
Property Tax	776,195	676,005	392,140	538,730	
Personal Property Tax	0	0	345,429	0	

Owner <sup>1</sup> Individual				
Income Tax	<u>44,470</u>	<u>47,960</u>	<u>45,125</u>	<u>0</u>
Overall Tax Burden	<u>1,226,055</u>	<u>1,362,720</u>	<u>1,212,984</u>	<u>1,190,398</u>
<u>Tax Credits and Incentives</u>				
Property Tax	(679,170)	(568,200)	0	(471,390)
Corporate Income Tax	(39,375)	(107,190)	(43,240)	0
Sales Tax	(87,500)	(341,250)	(288,750)	0
Employee Withholding	<u>0</u>	<u>0</u>	<u>(225,000)</u>	<u>0</u>
Total Tax Credits				
And Incentives	<u>(806,045)</u>	<u>(1,016,640)</u>	<u>(556,990)</u>	<u>(471,390)</u>
NET TAX BURDEN	\$ <u>420,010</u>	\$ <u>346,080</u>	\$ <u>655,994</u>	\$ <u>719,008</u>

*Iowa*

The remaining investment tax credit carryover of \$860,625 at the end of year five would expire at the end of year seven. The company could also qualify for Community Economic Betterment Account funds and the Iowa Industrial New Jobs Training Program.

*Minnesota*

The JOBZ related property tax and sales tax and \$2,300,000 of Minnesota source income would be exempt for an additional five years until 2017. The company would also qualify for an approximately \$12,000 refundable JOBZ wage credit. The company could also qualify for employee training grants through the Minnesota Job Skills Partnership.

*Nebraska*

The remaining investment tax credit and compensation credit of \$1,206,060 at the end of year five would expire at the end of year eight. The company could also qualify for the Nebraska Customized Job Training Grant Program.

*South Dakota*

The company could qualify for customized job training grant funds through the Workforce Development Program.

Summary of Taxes

SALES TAX:

	<u>Iowa</u>	<u>Minnesota</u>	<u>Nebraska</u>	<u>South Dakota</u>
<b>Construction Materials:</b>				
Year 1	\$ 87,500	\$ 113,750	\$ 96,250	\$ 70,000
Year 2	0	0	0	0
Year 3	0	0	0	0
Year 4	0	0	0	0
Year 5	0	0	0	0
<b>Total</b>	<u>87,500</u>	<u>113,750</u>	<u>96,250</u>	<u>70,000</u>
<b>Manufacturing Machinery and Equipment:</b>				
Year 1	\$ 0	\$ 0	\$ 0	\$ 200,000
Year 2	0	0	0	2,000
Year 3	0	0	0	2,000
Year 4	0	0	0	2,000
Year 5	0	0	0	<u>2,000</u>
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>208,000</u>
<b>Furniture and Fixtures:</b>				
Year 1	50,000	65,000	55,000	40,000
Year 2	0	0	0	0
Year 3	0	0	0	0
Year 4	0	0	0	0
Year 5	0	0	0	0
<b>Total</b>	<u>50,000</u>	<u>65,000</u>	<u>55,000</u>	<u>40,000</u>
<b>Manufacturing Utilities:</b>				
Year 1	0	0	0	10,000
Year 2	0	0	0	10,000
Year 3	0	0	0	10,000
Year 4	0	0	0	10,000
Year 5	0	0	0	<u>10,000</u>
<b>Total</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
<b>Other Taxable Purchases:</b>				
Year 1	25,000	32,500	27,500	20,000
Year 2	25,000	32,500	27,500	20,000
Year 3	25,000	32,500	27,500	20,000
Year 4	25,000	32,500	27,500	20,000



Year 5	<u>25,000</u>	<u>32,500</u>	<u>27,500</u>	<u>20,000</u>
Total	<u>125,000</u>	<u>162,500</u>	<u>137,500</u>	<u>100,000</u>
TOTAL SALES TAX	\$ <u>262,500</u>	\$ <u>341,250</u>	\$ <u>288,750</u>	\$ <u>468,000</u>

CONTRACTORS' EXCISE TAX:

	<u>Iowa</u>	<u>Minnesota</u>	<u>Nebraska</u>	<u>South Dakota</u>
On Really Improvements:				
Year 1	\$ 0	\$ 0	\$ 0	\$ 72,864
Year 2	0	0	0	0
Year 3	0	0	0	0
Year 4	0	0	0	0
Year 5	0	0	0	0
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,864</u>

UNEMPLOYMENT TAXES:

40 employees - One Owner:

Year 1	8,733	27,158	8,200	5,453
Year 2	8,733	27,158	8,200	4,879
Year 3	8,733	27,158	8,200	4,879
Year 4	8,733	27,158	8,200	4,879
Year 5	8,733	27,158	8,200	4,879
Total	<u>43,665</u>	<u>135,790</u>	<u>41,000</u>	<u>24,969</u>

CORPORATE INCOME TAX:

Home State:

Year 1	7,875	21,438	8,648	0
Year 2	7,875	21,438	8,648	0
Year 3	7,875	21,438	8,648	0
Year 4	7,875	21,438	8,648	0
Year 5	7,875	21,438	8,648	0
Total	<u>39,375</u>	<u>107,190</u>	<u>43,240</u>	<u>0</u>

Non-Resident States:

Year 1	18,136	16,523	17,363	26,011
Year 2	18,136	16,523	17,363	26,011
Year 3	18,136	16,523	17,363	26,011
Year 4	18,136	16,523	17,363	26,011
Year 5	18,136	16,523	17,363	26,011
Total	<u>\$ 90,680</u>	<u>\$ 82,615</u>	<u>\$ 86,815</u>	<u>\$ 130,055</u>

Federal Tax Decrease  
(Due to Additional State Income Taxes):

	<u>Iowa</u>	<u>Minnesota</u>	<u>Nebraska</u>	<u>South Dakota</u>
Year 1	\$ (6,166)	\$ (5,618)	\$ (5,903)	\$ (8,844)
Year 2	(6,166)	(5,618)	(5,903)	(8,844)
Year 3	(6,166)	(5,618)	(5,903)	(8,844)
Year 4	(6,166)	(5,618)	(5,903)	(8,844)
Year 5	(6,166)	(5,618)	(5,903)	(8,844)
Total	<u>(30,830)</u>	<u>(28,090)</u>	<u>(29,515)</u>	<u>(44,220)</u>

TOTAL CORPORATE  
INCOME TAX:

	<u>99,225</u>	<u>161,715</u>	<u>100,540</u>	<u>85,835</u>
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PROPERTY TAXES:

Real Estate Taxes:

Year 1	155,239	135,201	78,428	107,746
Year 2	155,239	135,201	78,428	107,746
Year 3	155,239	135,201	78,428	107,746
Year 4	155,239	135,201	78,428	107,746
Year 5	<u>155,239</u>	<u>135,201</u>	<u>78,428</u>	<u>107,746</u>
Total	<u>776,195</u>	<u>676,005</u>	<u>392,140</u>	<u>538,730</u>

Personal Property Taxes:

Year 1	0	0	105,043	0
Year 2	0	0	83,413	0
Year 3	0	0	66,419	0
Year 4	0	0	52,549	0
Year 5	0	0	<u>38,005</u>	0
Total	0	0	<u>345,429</u>	-

TOTAL PROPERTY

TAXES:	<u>\$ 776,195</u>	<u>\$ 676,005</u>	<u>\$ 737,569</u>	<u>\$ 538,730</u>
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OWNERS' INDIVIDUAL INCOME TAX:

	<u>Iowa</u>	<u>Minnesota</u>	<u>Nebraska</u>	<u>South Dakota</u>
<b>\$200,000 Salary:</b>				
Year 1	\$ 11,767	\$ 12,745	\$ 11,898	\$ 0
Year 2	11,767	12,745	11,898	0
Year 3	11,767	12,745	11,898	0
Year 4	11,767	12,745	11,898	0
Year 5	<u>11,767</u>	<u>12,745</u>	<u>11,898</u>	<u>0</u>
Total	<u>58,835</u>	<u>63,725</u>	<u>59,490</u>	<u>0</u>

Federal Tax Decrease  
(Due to State Income Tax)

Year 1	(2,873)	(3,153)	(2,873)	0
Year 2	(2,873)	(3,153)	(2,873)	0
Year 3	(2,873)	(3,153)	(2,873)	0
Year 4	(2,873)	(3,153)	(2,873)	0
Year 5	<u>(2,873)</u>	<u>(3,153)</u>	<u>(2,873)</u>	<u>0</u>
Total	<u>(14,365)</u>	<u>(15,765)</u>	<u>(14,365)</u>	<u>0</u>

TOTAL  
OWNERS' INDIVIDUAL  
INCOME TAX

	<u>44,470</u>	<u>47,960</u>	<u>45,125</u>	<u>0</u>
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OVERALL  
TAX BURDEN:

	<u>\$1,226,055</u>	<u>\$1,362,720</u>	<u>\$1,212,984</u>	<u>\$1,190,398</u>
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INCENTIVES

	<u>Iowa</u>	<u>Minnesota</u>	<u>Nebraska</u>	<u>South Dakota</u>
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Local:

Property Taxes:

Year 1	\$ (135,834)	\$ (113,640)	\$ 0	\$ (94,278)
Year 2	(135,834)	(113,640)	0	(94,278)
Year 3	(135,834)	(113,640)	0	(94,278)
Year 4	(135,834)	(113,640)	0	(94,278)
Year 5	<u>(135,834)</u>	<u>(113,640)</u>	<u>0</u>	<u>(94,278)</u>

Total	<u>(679,170)</u>	<u>(568,200)</u>	<u>0</u>	<u>(471,390)</u>
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State:

Corporate Income Tax:				
Year 1	(7,875)	(21,438)	(8,648)	0

Year 2	(7,875)	(21,438)	(8,648)	0
Year 3	(7,875)	(21,438)	(8,648)	0
Year 4	(7,875)	(21,438)	(8,648)	0
Year 5	(7,875)	(21,438)	(8,648)	0

Total	<u>(39,375)</u>	<u>(107,190)</u>	<u>(43,240)</u>	<u>0</u>
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Sales Tax:

Year 1	(87,500)	(211,250)	(178,750)	0
Year 2	0	(32,500)	(27,500)	0
Year 3	0	(32,500)	(27,500)	0
Year 4	0	(32,500)	(27,500)	0
Year 5	0	(32,500)	(27,500)	0

Total	<u>(87,500)</u>	<u>(341,250)</u>	<u>(288,750)</u>	<u>0</u>
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Employee Withholding:

Year 1	0	0	(45,000)	0
Year 2	0	0	(45,000)	0
Year 3	0	0	(45,000)	0
Year 4	0	0	(45,000)	0
Year 5	0	0	(45,000)	0

Total	<u>0</u>	<u>0</u>	<u>(225,000)</u>	<u>0</u>
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TOTAL INCENTIVES (806,045) (1,016,640) (556,990) (471,390)

NET TAX BURDEN \$ 420,010 \$ 346,080 \$ 655,994 \$ 719,008