Tax Structure and Economic Development Incentives/Financing Comparison

Iowa
Nebraska

Minnesota
South Dakota

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Introduction

This document was prepared to analyze the tax structures and economic development incentives/financing on a comparative basis between the States of Iowa, Minnesota, Nebraska and South Dakota. This document uses the most current information available at the time it was prepared, which was October 1, 2005. Taxes and incentives/financing are constantly changing; therefore, new developments that have occurred since this document was prepared or that will occur in the future are not included. The reader should be fully aware of this when using this document. This document is intended solely for the information of Northwest Iowa Economic Developers Coalition, Le Mars Business Initiative Corporation and the City of Sioux City and is not intended to be and should not be used by anyone other than those specified parties.

This document is organized in the following format. First, a tax type chart is used to show the various taxes compared by State and whether they applied to each State or not. Second, detailed analysis of each tax and how it applies to each State is included in narrative form. Third, economic development incentives/financing by State are explained. Finally, Appendix A shows a standard example of how the taxes and economic development incentives/financing apply by State and Appendix B lists the sources used to prepare this document.

Taxes

Tax Type Chart

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Sales & Use Tax

Iowa

The basis for Iowa's 5% sales tax is the purchase or sale price of tangible personal property or certain services. "Purchase price" or "sale price" means the total amount of consideration, including cash, credit, property, and services for which personal property or services are sold, leased, or rented.

Sales of industrial machinery, equipment, replacement parts, and computers that are used directly and primarily in processing by a manufacturer are exempt from sales tax.

Minnesota

Minnesota has a 6.5% sales tax rate on most retail sales and eight specific services. A "retail sale" means any sale, lease, or rental for any purpose other than resale, sublease, or sub-rent.

A sales tax refund can be claimed for capital equipment. To qualify, the equipment must be for manufacturing, fabricating, mining, or refining tangible items to be sold ultimately at retail.

Nebraska:

A 5.5% sales tax is imposed upon the gross receipts from all sales, leases, rentals, installation, application, repair, or maintenance of tangible personal property and certain services.

The purchase, lease, or rental of manufacturing machinery and equipment by a person engaged in the business of manufacturing is exempt from sales and use tax. Installation, repair, or maintenance services performed on manufacturing machinery and equipment are also exempt from sales tax.

South Dakota:

The sales tax rate of 4% is applied to the gross receipts of any business, organization, or person engaged in retail sales, including the selling, leasing, and renting of tangible personal property or the sale of services, as long as the products or services are not specifically intended for resale or sold to a governmental or sales tax exempt agency.

Equipment purchased for business use is subject to 4% state sales tax plus applicable municipal sales tax.

Local Option/Municipal Tax

Iowa

In addition to 5% state sales tax, local jurisdictions may impose one or both of Iowa's local taxes. The two taxes are the regular local option sales and services tax and the school infrastructure local option tax.

Within a county, some cities and unincorporated areas may have the regular local option sales and services tax and some may not. The rate is up to 1%.

The school infrastructure local option tax, if applicable, is on a countywide basis. The rate is up to 1%.

There is no local option use tax; therefore, those sales that are subject to a use tax, such as motor vehicles, are not subject to local option sales and services tax.

Minnesota

Local sales and use taxes are determined by each city or county. In addition, there are seven special local taxes within certain cities and counties, including downtown liquor, lodging 1, lodging 2, downtown restaurant, entertainment, liquor, and food. Local sales and use tax rates vary from .50% to 2% and special local tax rates vary from 1% to 6%.

Nebraska

A retailer making taxable sales of property or certain enumerated services in any jurisdiction with a local option sales and use tax must collect the 5.5% state sales tax and the appropriate local sales tax. Local option sales tax rates vary by jurisdiction from .5% to 1.5%.

South Dakota

In addition to 4% state sales tax, municipalities may impose a municipal sales tax of up to 2% and a 1% municipal gross receipts tax. Municipal gross receipts tax is based on all or a combination of the receipts collected from alcoholic beverages, eating establishments, lodging accommodations, and ticket sales or admissions to places of amusement, athletic, and cultural events.

Contractor's Excise Tax

Iowa
Not Applicable

Minnesota
Not Applicable

Nebraska
Not Applicable

South Dakota
The state of South Dakota is the only state in this comparison study that has a contractors' excise tax. This is a 2% tax imposed upon the gross receipts of contractors who are engaged in construction services or realty improvements in South Dakota. The contractors' excise tax and the contractors' sales and use taxes are part of the contractor's total bill and are collectible from all entities, both public and private.

Tourism Tax

Iowa
Not Applicable

Minnesota
Not Applicable

Nebraska
Not Applicable

South Dakota
A 1% tourism tax is imposed on gross receipts of certain lodging and amusement services, including hotels & lodging, campgrounds, motor vehicle rentals, recreation equipment and services, spectator events, visitor attractions, and businesses. The tourism tax also applies to other visitor-intensive businesses during June, July, August, and September.

Lodging or Hotel/Motel Tax

Iowa

Certain cities and counties have adopted a local option hotel/motel tax, which is assessed on the gross receipts from renting hotel or motel rooms. The hotel/motel tax can range from 1% to 7%. Local option sales taxes do not apply if the hotel/motel tax is assessed.

Minnesota

See "local option tax" above. Lodging tax is included in the special local tax. Lodging tax rates can vary from 3% to 6%.

Nebraska

A 1% lodging tax is imposed on the total gross receipts charged for the occupancy of any space furnished by a hotel. In addition, various counties have a county lodging tax ranging from 1% to 4%.

South Dakota

See "tourism tax" above. In addition to the 1% tourism tax on statewide lodging establishments, the city of Sioux Falls also imposes a 1% lodging tax.

Motor Fuel Tax

Iowa

Tax rates per gallon are as follows: gasoline 20.7¢, gasohol 19¢, diesel 22.5¢, and ethanol 17¢. The gasoline rate has been in effect since July 1, 2005. The gasohol and diesel rates have not changed since before 2002. The ethanol rate will change to the above rate on January 1, 2006. The gasoline and gasohol rates are subject to change every July 1.

Minnesota

The fuel tax rate for gasoline, gasohol, diesel, and ethanol is 20¢ per gallon. The rate has been in effect since May 1, 1988.

Nebraska
The fuel tax rate for gasoline, gasohol, diesel, and ethanol is 25.3¢ per gallon. This rate has been in effect since July 1, 2005. Rates are subject to change every January 1 and July 1.

South Dakota
Tax rates per gallon are as follows: gasoline 22¢, gasohol 20¢, diesel 22¢, and ethanol 10¢. These rates have been in effect since April 1, 1999.

Leased & Purchased Motor Vehicle Tax

Iowa
A 5% motor vehicle lease tax is imposed on the lease price of a vehicle subject to registration with a gross weight of less than 16,000 pounds and available to be leased for a period of twelve months or more. A 5% motor vehicle use tax is imposed on the purchase price of vehicles less the trade in value, if applicable. Local sales taxes do not apply to motor vehicle leases or purchases.

Minnesota
Lease receipts from a motor vehicle are subject to 6.5% state sales tax, plus local sales tax based on the lessee's residence. Purchased vehicles are subject to 6.5% state sales tax on the purchase price of the vehicle, less trade-in value, if applicable. Local option sales tax does not apply to purchased vehicles.

Nebraska
The lessors of motor vehicles are required to obtain a permit and must collect and remit 5.5% sales tax, plus local option tax on gross lease receipts. The local option rate of tax is determined by the primary property location. Purchased vehicles are subject to sales tax and local option tax based on the owners' primary location. Also, leased and purchased motor vehicles are subject to property taxes on an annual basis at varying rates based on the manufacturer's suggested retail price.

South Dakota
The lessor or the lessee must pay 3% excise tax on the purchase price of the vehicle with a gross vehicle weight rating of less than 16,000 pounds. Purchase price on a closed lease vehicle, (a lease that has an established term), is the total consideration, whether received in money or otherwise. Purchased vehicles are subject to 3% excise tax on the purchase price less trade-in value, if applicable. State and local sales taxes do not apply to motor vehicles leases or purchases.

Insurance Premium Tax

Iowa
A 2% tax is imposed on the adjusted gross amount of premiums, assessments, and fees received during the year. The tax is imposed on every insurance company, except fraternal beneficiary associations.

Minnesota
An insurance premium tax of 1% for mutual insurance companies and 2% for all other insurance companies is due on net taxable business as computed on Form M11. The rate is 1.26% for mutual property and casualty companies with total assets greater than $5 million at the end of the calendar year, but less than $1.6 billion on December 31, 1989.

Nebraska
The gross amount of premiums received for group sickness and accident insurance is taxed at .50%. For property and casualty insurance, excluding individual sickness and accident insurance, the rate is 1% and for capitation payments made in accordance with the Managed Care Plan Act, the rate is 5%.

South Dakota
The premium tax is 2.5% of premiums. Life insurance policies are taxed at 2.5% on the first $100,000 of annual premium, and .08% for that portion of the annual life premiums exceeding $100,000. Annuity contracts are taxed at 1.25% for the first $500,000 of consideration and .08% for that portion of the consideration on annuity contracts exceeding $500,000.

Unemployment Taxes

Iowa
New non-construction employers not yet eligible for a computed rate are assigned an unemployment rate of 1%. New construction employers are assigned a rate of 8%. These rates are in effect for the first five years of business, unless a claim is made. The taxable wage base is $21,300.

Minnesota

New employers are taxed at an assigned rate of 2.88% for non-construction businesses and 9.96% for construction businesses. To be eligible for an experience rate in 2006, an employer must have had employment prior to July 1, 2004 and must have paid some unemployment taxes by September 30, 2005. The taxable wage base is $23,000.

Nebraska

New non-construction employers pay the lower of the state's average tax rate or 2.5%. Construction employers pay at the highest tax rate in force each year. New employers pay at the assigned rate for at least two calendar years. After that, an employer will be eligible to have the account experience rated. This means that the rate can go up or down from the initial rate based upon the employer's experience with the unemployment insurance program. The taxable wage base is $8,000.

South Dakota

New non-construction businesses have a first year tax rate of 1.9% and construction businesses have a first year rate of 6.7%. During the second and third year, the rate will decrease as long as the unemployment account has a positive balance. Second and third year rates for non-construction and construction businesses are 1.7% and 3.7%, respectively. After three years of taxable payroll the account becomes experience ratable. The rate is determined by several variables, including the amount of taxable payroll for the last three years, contributions paid in, claims paid out, interest credited, and the reserve ratio. The taxable wage base is $7,000.

Corporate Income Tax

Iowa

Rates for Iowa taxable income are as follows:

$0 - $25,000	6%
$25,000 - $100,000	8%
$100,000 - $250,000	10%
$250,000 & Over	12%

Additions to arrive at Iowa taxable income include state and local government interest and dividend income and the amount of Iowa tax deducted on the federal return. Subtractions include interest and dividend income from U.S. government obligations, depreciation and Section 179 adjustments, and the amount of Iowa tax refund included in federal income. Iowa also adds back 50% of the federal tax refund and deducts 50% of the federal tax paid or accrued. The multi-state apportionment is based on gross receipts.

For assets placed in service after May 5, 2003, but before January 1, 2005, Iowa has adopted the additional first-year depreciation allowance (30% or 50% bonus depreciation). Also adopted was the federal law increasing the Section 179 expensing allowance from $25,000 to $100,000 for tax years beginning on or after January 1, 2003.

Minnesota

The corporate tax rate for Minnesota taxable income is 9.8%. Additions to federal taxable income to arrive at Minnesota net income include state income taxes deducted on the federal return and state and local government interest and dividend income exempt from federal tax. Subtractions from income include refunds of state income taxes, interest and dividend income from U.S. government obligations, and prior bonus depreciation add backs. The multi-state apportionment is based on property, payroll, and sales ratios.

Nebraska

Rates for Nebraska taxable income are as follows:

$0 - $50,000	5.58%
$50,000 & Over	7.81%

To arrive at Nebraska taxable income, adjustments to federal taxable income need to be made. Adjustments increasing federal taxable income include state and local government interest and dividend income and the enhanced Section 179 (in excess of $25,000) expense deduction. Adjustments decreasing federal taxable income include interest and dividend income from U.S. government obligations, prior bonus deprecation and enhanced Section 179 deduction add backs, claimed allocable and non-apportionable income from another state, and contributions made to the Nebraska College Savings Plan. Nebraska allows the Nebraska state income tax to be deducted in arriving at Nebraska taxable income. The multi-state apportionment is based on sales or gross receipts.

South Dakota

Not Applicable on South Dakota taxable income; however, if there is nexus in other states, those states will tax the applicable share of the taxable income allocated to those states.

S Corporation Returns, Tax & Fees

Iowa

Every S corporation doing business in Iowa or deriving income from sources within Iowa is required to file an Iowa S corporation return. To arrive at modified net income for Iowa purposes, adjustments need to be made, such as state and local government interest and dividend income, bonus depreciation and Section 179 deductions, and interest and dividend income from U.S. government obligations. S corporations may elect to file an Iowa individual income composite tax return and pay any tax due on behalf of nonresident shareholders.

Minnesota

Corporations doing business in Minnesota that have elected to be taxed as S corporations under section 1362 of the Internal Revenue Code must file S Corporation Form M8. Adjustments for state and local government interest and dividend income, state income taxes deducted, prior bonus depreciation adjustments, and interest and dividend income from U.S. government obligations are separately stated. S corporations may elect to file a Minnesota individual income composite tax return and pay any tax due on behalf of nonresident shareholders. The minimum fee is paid by the entity. The minimum fee can range from $0 to $5,000 based on Minnesota property, payroll, and sales receipts.

Nebraska

An S corporation must file a return unless all shareholders are residents of Nebraska and all income is derived from Nebraska sources. Nebraska does not allow for filing of composite returns. Adjustments to federal income need to be made on Schedule II for state and local government interest and dividend income, bonus depreciation and enhanced section 179, and interest and dividend income from U.S. government obligations. S corporations with nonresident shareholders are required to obtain a nonresident income tax agreement, Form 12N, from the nonresident individual or remit Nebraska income tax on the nonresident's share of Nebraska income.

South Dakota

Not Applicable

Property Taxes

Iowa

Property taxes are levied on the taxable value of real property. The taxable value may be a percentage of the assessed value as a result of statewide limitations for allowable growth. The assessed value is 100% of market value, except agricultural property, which is assessed according to productivity. The tax is a composite of county, city, school district, and special local levies. A statewide or county average property tax levy rate is not available.

Minnesota

On an annual basis, local assessors determine estimated market value and the classification of all taxable property. Property tax is primarily based on its market value, property class, total value of all property within the taxing area, and on the budget requirements of all local governmental units located within the taxing area. The statewide average net tax capacity rate is 112.981% and is calculated on 1.5% of the first $150,000 of market value and 2% of the remaining market value. The statewide average referendum market value rate is .12887% and is calculated on the total market value.

In addition to local property taxes, the state of Minnesota has enacted a state general property levy. This levy is applied to the following types of property: Class 3 – commercial, industrial, and public utility property exclusive of electric generating machinery, Class 4c(1) – seasonal residential recreational property, including cabins, and Class 5(1) – unmined iron ore property. Revenue generated from the state general property tax levy is deposited in the state general fund. The state property tax levy rate is 51.121% and is calculated on 1.5% of the first $150,000 of market value and 2% of the remaining market value.

Nebraska

The property tax is levied by local governments only. The tax on real estate is levied based on the actual market value of the real estate. Most is assessed at 100% of actual value, except for agricultural horticultural land, which is to be valued at 80% of actual value. Actual value of real property is the market value of property in the ordinary course of trade. The statewide average property tax rate is 1.9607% of assessed valuation.

South Dakota

Property is assessed using a market approach. Each local assessor considers three approaches to value, cost, income, and sales with the final value approximating full and true market value for the property. The statewide average levy rate is $31.77892 per $1,000 of assessed valuation.

Personal Property Tax

Iowa
Not Applicable

Minnesota
Not Applicable

Nebraska
All depreciable, tangible, personal property used in the production of income, which has a Nebraska book value greater than zero, is subject to personal property tax. Licensed motor vehicles, livestock, and certain rental equipment are exempt from personal property tax. The tax is assessed at the local government level. The statewide average property tax rate is 1.9607% of Nebraska book value.

South Dakota
Not Applicable

Franchise Tax

Iowa
A 5% tax is imposed on taxable income of Corporations doing business in Iowa as financial institutions.

Minnesota
Financial institutions in Minnesota are required to file the corporation franchise tax return similar to other corporations, except for additional information required in the property factor and receipts factor. Taxable income is subject to a 9.8% rate of tax.

Nebraska
Every financial institution, which maintains a permanent place of business and actively solicits deposits from residents, must file a Nebraska financial institution tax return. Rates used to compute tax liability are the tax rate of .047% on average deposits, not to exceed 3.81% of net income.

South Dakota

Any banking institution or savings and loan association doing business in South Dakota is required to file an annual return. All financial institutions are required to pay tax on net income based on the following rates:

$0 - $400,000,000	6%
$400,000,000 - $425,000,000	5%
$425,000,000 - $450,000,000	4%
$450,000,000 - $475,000,000	3%
$475,000,000 - $500,000,000	2%
$500,000,000 - $600,000,000	1%
$600,000,000 - $1.2 Billion	.50%
$1.2 Billion & Over	.25%

Each financial institution is required to pay a minimum tax of $200 per location.

Workers Compensation Insurance

Premium is determined on the basis of workers' compensation rules, industry classifications, and rates filed within each state. The rate is multiplied by every $100 of payroll.

The Assigned Risk Plan (AR) provides employers with a means for obtaining workers compensation coverage when it cannot be obtained in the voluntary insurance (VOL) market.

Workers compensation is computed using several different variables. Experience rating, claims incurred, premium discounts, and expense charges were not included in the following rates.
The following charts are a brief overview of assigned rates per $100 of covered payroll:

Iowa

Code	Classification	Assigned Risk Rate AR	VOL
3629	Precision Machined Parts Mfg	$2.12	$1.77
5057	Construction of Iron or Steel Blgs	$51.40	$42.83
8810	Clerical Office Employees	$.38	$.32
8835	Nursing-Home Health & Public	$3.17	$2.64
9083	Fast Food Restaurants	$2.35	$1.96

The state of Iowa does not use loss cost multipliers.

Minnesota

Code	Classification	Assigned Risk Rate AR	Assigned Risk Rate VOL
3629	Precision Machined Parts Mfg	$4.68	Not Avail
5057	Construction of Iron or Steel Blgs	$33.30	Not Avail
8810	Clerical Office Employees	$.40	Not Avail
8835	Nursing-Home Health & Public	$6.85	Not Avail
9083	Fast Food Restaurants	$2.98	Not Avail

Due to open competition laws in the voluntary market, Minnesota carriers can file their own rates and rating plans, therefore, an overall voluntary risk rate cannot be determined.

Nebraska

Code	Classification	Assigned Risk Rate AR	Assigned Risk Rate VOL
3629	Precision Machined Parts Mfg	$4.55	$1.82
5057	Construction of Iron or Steel Blgs	$30.50	$12.20
8810	Clerical Office Employees	$.70	$.28
8835	Nursing-Home Health & Public	$6.00	$2.40
9083	Fast Food Restaurants	$4.10	$1.64

Nebraska's loss cost multipliers vary from .800 to 1.829 in the voluntary market.

South Dakota

Code	Classification	Assigned Risk Rate AR	Assigned Risk Rate VOL
3629	Precision Machined Parts Mfg	$2.88	$1.37
5057	Construction of Iron or Steel Blgs	$29.09	$13.85
8810	Clerical Office Employees	$.53	$.25
8835	Nursing-Home Health & Public	$3.09	$1.47
9083	Fast Food Restaurants	$2.08	$.99

South Dakota's loss cost multipliers vary from 1.249 to 2.5 in the voluntary market.

Individual State Income Tax

Iowa

Individual income tax rates on taxable income for all states are as follows:

$0 - $1,242	.36%
$1,242 - $2,484	.72%
$2,484 - $4,968	2.43%
$4,968 - $11,178	4.50%
$11,178 - $18,630	6.12%
$18,630 - $24,840	6.48%
$24,840 - $37,260	6.80%
$37,260 - $55,890	7.92%
Over $55,890	8.98%

Individuals are allowed a deduction from taxable income for federal income taxes paid and must add back any federal tax refunds deducted in a prior year. Iowa allows 50% bonus depreciation for assets acquired after May 5, 2003, but before January 1, 2005. Section 179 expensing has been increased from $25,000 to $100,000 for tax years beginning on or after January 1, 2003.

Iowa also has individual income school district surtax and individual income emergency medical services surtax. The school district surtax rates vary by school district but cannot exceed 20% of state income tax liability. The emergency medical services surtax imposed cannot exceed 1% of state income tax liability. Only Appanoose County imposes the emergency medical services surtax (at a rate of 1%).

Minnesota

Married filing jointly individual income tax rates on taxable income are as follows:

$0 - $29,070	5.35%
$29,070 - $115,510	7.05%
Over $115,510	7.85%

Minnesota does not allow individuals to deduct state income or sales tax. If an individual itemizes on their federal return, they must add back any amounts deducted for state income or sales tax and state income tax paid to another state. Deductions to reduce taxable income include state income tax refunds and prior bonus depreciation adjustments.

Nebraska
Married filing jointly individual income tax rates on taxable income are as follows:

$0 - $4,000	2.56%
$4,000 - $30,000	3.57%
$30,000 - $46,750	5.12%
Over $46,750	6.84%

If taxable income exceeds $142,700, an additional tax is imposed as follows:

$142,700 - $182,700	.428%
$182,700 - $442,700	.327%
$442,700 - $610,200	.172%
$610,200 & Over	$1,309.50

Enhanced section 179 expense and non-Nebraska S corporation or Limited Liability Corporation losses are added back to Nebraska taxable income, while prior bonus depreciation adjustments and non-Nebraska S corporation or Limited Liability Corporation income is deducted from taxable income.

South Dakota
Not Applicable

Individual Local Income Tax

Iowa
Not Applicable

Minnesota
Not Applicable

Nebraska
Not Applicable

South Dakota
Not Applicable

Estate Tax

Iowa
Not Applicable

Minnesota
Decedents' whose total gross estate is equal to more than $1,000,000 must file a Minnesota estate tax return. The estate tax is due on the percentage of Minnesota estate property to total estate property. The rates used to compute the estate tax liability on the taxable estate range from .8% to 16%. Minnesota does not allow the deduction of death taxes paid to states in the computation of estate tax due to Minnesota.

Nebraska
Nebraska estate tax is based on the federal taxable estate and currently allows a $1,000,000 statutory deduction to arrive at the Nebraska taxable estate. The graduated estate tax rates begin at 5.6% and increase to 16.8%. The Nebraska estate tax is only due on the percentage of Nebraska estate property to total estate property. Inheritance taxes paid are allowed as a credit against the Nebraska estate tax due.

South Dakota
Not Applicable

Inheritance Tax

Iowa
Tax varies from 5% to 15% dependent upon the amount of the inheritance and the relationship of the recipient to the decedent. If the net estate of the decedent is less than $25,000, the tax is zero. Inheritances passing to surviving spouses and lineal ascendants and decedents are not subject to inheritance tax.

Minnesota
Not Applicable

Nebraska
Tax is levied as a variable percentage of the clear market value of the property. The variable rate is determined by the identity of the beneficiary. Interests passing to the surviving spouse are not subject to inheritance tax. Property transferred after exemptions to immediate relatives is taxed at 1%, remote relatives between 6% and 9%, and others between 6% and 18%.

South Dakota
Not Applicable

Incentives/Financing

Iowa

Incentives

Iowa Corporate Income Tax

Iowa's single-factor, non-unitary tax is based only on the percentage of total sales income within the state; an Iowa manufacturer selling all of its products outside Iowa would pay no Iowa corporate income tax. Iowa allows 50% deductibility of federal taxes from Iowa corporate income tax.

No Sales or Use Tax on Manufacturing Machinery and Equipment

The purchase of industrial machinery and equipment and computers assessed as real property is exempt from Iowa sales or use tax. No sales tax is due on purchases of electricity or natural gas used directly in the manufacturing process.

Local Tax Abatement

Iowa law allows cities and counties to abate local property taxes for value added to industrial real estate. The maximum amount of actual value added to a new or expanded facility, which is eligible to be exempt from taxation, is 75% in year one, 60% in year two, 45% in year three, 30% in year four, and 15% in year five.

Enterprise Zones

The Enterprise Zone was created to encourage investment in Iowa's economically distressed areas. Certain Iowa cities and counties are located in certified Enterprise Zones. Businesses must be within the Enterprise Zone to qualify for benefits.

Businesses locating or expanding in an Enterprise Zone may receive a number of tax benefits. These benefits consist of local property tax exemption on value added property, funding for training new employees, refund of state-sales-service-use taxes paid to contractors during construction, an investment tax credit of up to 10% of the new investment in machinery and equipment, land, buildings, and improvements, and doubling the refundable research and development tax credit up to 13.0%.

Value added agriculture and biosciences businesses participating in the Enterprise Zone program are eligible for refundable investment tax credits.

Businesses must make a minimum capital investment of $500,000, create at least ten full-time jobs and maintain them for ten years, provide full-time employees with an optional medical and dental insurance plan on which the business pays 80% of the premiums, and pay an average wage that meets or exceeds 90% of the average county or regional wage, whichever is lower. Businesses can not be a retail establishment or a business whose entrance is limited by cover charge or membership and can not close or reduce its operation in one area of the state and relocate substantially the same operation in the Enterprise Zone.

Tax Increment Financing

City councils or county boards of supervisors may use the property taxes resulting from the increase in taxable valuation caused by the construction of new industrial or commercial facilities to provide economic development incentives to a business or industry. Tax increment financing may be used to offset the cost of public improvements and utilities that will serve the new private development, to finance direct grants or loans to a company, or to provide the local match for federal or state economic development assistance programs.

High Quality Job Creation Program (HQJCP)

HQJCP is designed to promote the creation of quality jobs by businesses locating, expanding, or modernizing their facilities in Iowa. Businesses must meet criteria relating to targeted industries, employee benefits, and building specifications. Those who qualify may be eligible for various credits, including sales tax, research, property tax, investment tax, or insurance premium tax.

Assistive Device Tax Credit

Iowa small businesses can reduce their taxes by buying or renting products or equipment, or by making physical changes to the workplace to help employees with disabilities get or keep a job.

An assistive device is any item, piece of equipment or product system that is used to increase, maintain, or improve the functional capabilities of an individual with a disability in the workplace or on the job. Workplace modifications are physical alterations to the work environment.

To qualify for the Assistive Device Tax Credit, a business must be located in Iowa and employ 14 or fewer full time employees or have $3 million dollars or less in gross annual receipts. The credit applies to expenditures made on or after January 1, 2000, and equals one-half of the first $5,000 in qualifying expenses each tax year. Excess credits can be refunded or carried over to the next tax year.

Research and Development Tax Credit

A refundable credit for increasing research activities is available at 6.5% of the company's allotted share of qualifying research expenditures in Iowa. A company must meet the qualifications of the federal research activities credit in order to be eligible for the credit on the Iowa return.

Industrial New Jobs Training Program

The Iowa Industrial New Jobs Training Program was developed to assist businesses which are creating new positions or new jobs through expansion or by locating a new facility in the State. Funds to cover the cost of training are attained through a diversion of withholding taxes generated by the new employees to a community collage participating with the company. Companies that are creating new jobs and are engaged in manufacturing, processing, assembling products, warehousing, wholesaling, or conducting research and development are eligible to participate in the program. Businesses engaged in the provision of services that have customers outside of Iowa are also eligible. A rate of 1.5% of employee withholding is eligible for diversion to this program and if the company is part of an enterprise zone project, the amount increases to 3% of employee withholding.

Financing

Iowa Values Fund (IVF)

The Iowa Values Fund is the state's 10-year economic development program designed to transform Iowa's economy by creating high-quality jobs through business development and expansion across Iowa. With a $35 million dollar annual appropriation for business development and marketing, the IVF assists Iowa companies to expand, as well as attract new businesses to the state. To be eligible, a business must provide a wage, plus benefits, that is equivalent to 130% of the county average. A business must also be in one of the state's targeted industries, which include life sciences, information solutions/financial services, and advanced manufacturing.

Community Economic Betterment Account (CEBA)

The Community Economic Betterment Account (CEBA) program provides financial assistance to businesses that plan a major capital investment that will create new job opportunities and/or retain existing jobs in Iowa. Assistance may be provided to encourage new business start-ups, expand or retain existing businesses, or recruit out-of-state businesses to Iowa. CEBA also contains a modernization project component specifically designed for businesses making equipment and technology upgrades and employee-training investments to maintain their competitive advantage.

Assistance is provided in the form of loans and/or forgivable loans up to a maximum award of $1 million based in part on job creation, capital investment, the ability to meet certain regional/county wage standards, quality of employment, and economic benefits for the state and local community. Applications are filed by a local government on behalf of an eligible business.

Iowa Loan and Credit Guarantee Fund

The Iowa Loan and Credit Guarantee Fund is designed to help businesses that are having difficulty accessing conventional financing. The fund provides lenders with additional security, thereby encouraging greater lender activity to Iowa businesses. In agreeing to insure a business loan, the Iowa Department of Economic Development assumes responsibility for up to 50% of a loan made by a lender should the business default or otherwise be unable to make scheduled payments.

Economic Development Set-Aside (EDSA)

EDSA provides assistance to businesses that plan to make a capital investment and create and/or retain quality employment opportunities for low and moderate income individuals. Assistance may be provided to encourage business start-ups, the expansion or retention of existing businesses, or the recruitment of out-of-state businesses into Iowa. EDSA funds business projects located in Iowa cities with a population of less than 50,000.

Assistance is provided in the form of loans and/or forgivable loans. The maximum award is $1 million per project. Applications are filed by cities or counties on behalf of an eligible business.

Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP)

The VAAPFAP provides financial assistance to new or existing companies that utilize the state's agricultural commodities to create new, innovative products or to produce renewable fuels (including soy diesel, ethanol, and other renewable fuels). VAAPFAP can also assist those companies engaged in organic processing, biomass, and the creation of alternative energies. Financial assistance is provided in the form of loans and forgivable loans.

Entrepreneurial Ventures Assistance (EVA) Program

The EVA program is designed to encourage and support the development of entrepreneurial ventures in Iowa, focusing mainly on high-growth, technology-based companies. The program provides financing to entrepreneurs for early-stage business start-up and expansion activities, as well as technical assistance.

Applicants must identify a specific project and associated costs. EVA funds may be used to finance up to 50% of the total project costs, not to exceed the $250,000 maximum. In addition, eligible applicants must have successfully completed a recognized entrepreneurial venture development curriculum or have equivalent business experience.

City Sales Tax Economic Development Fund

A city can designate a portion of its local option sales tax revenue for economic development. These funds can be used for a variety of business development purposes.

Targeted Small Business Financial Assistance Program (TSB)

Targeted Small Business Financial Assistance Program is designed to create and expand minority or women-owned businesses through direct loans of up to $25,000 and loan guarantees of up to $40,000.

The TSB Financial Assistance Program is designed to assist in the creation and expansion of Iowa small businesses that have annual gross sales of less than $3 million and are at least 51% owned, operated, and managed by women, minorities, or persons with a disability. The business must be certified as a "Targeted Small Business" by the Iowa Department of Inspections and Appeals before applying for or receiving TSB funds.

Entrepreneurs with Disabilities (EWD)

The Entrepreneurs with Disabilities (EWD) program helps qualified individuals with disabilities establish, acquire, maintain, or expand a small business by providing technical and financial assistance.

To be eligible for the program, applicants must be active clients of the Iowa Department of Education Division of Vocational Rehabilitation Services or the Iowa Department for the Blind.

Technical Assistance grants of up to $10,000 may be used to pay for any specific business-related consulting service, such as developing a feasibility study or business plan, or accounting and legal services.

Financial Assistance grants of up to $10,000 may be used to purchase equipment and supplies, or pay rent and other start-up, expansion, or acquisition costs as identified in an approved business plan. Total financial assistance provided to an individual may not exceed 50% (maximum of $10,000) of the financial package. EWD financial assistance must be fully matched by funding from other sources.

Self-Employment Loan Program (SELP)

The Self-Employment Loan Program offers low-interest loans of up to $10,000 to low-income owners of new or expanding small businesses.

This program is designed to assist in the creation and expansion of businesses owned, operated, and managed by women, minorities, or persons with a disability.

To qualify for a SELP loan, applicants must have an annualized family income that does not exceed current income guidelines for the program. An applicant is automatically eligible for SELP if he or she is receiving Family Investment Plan (FIP) assistance or other general assistance, such as disability benefits. The applicant can also qualify for SELP funds if determined eligible under the Job Training Partnership Act, or is certified as having a disability under standards established by the Iowa Department of Education, Division of Vocational Rehabilitation Services.

SELP loans of up to $10,000 are available. The interest rate is 5%, and the loan is to be repaid in monthly installments over a five-year period. The first installment can be deferred for three months.

Physical Infrastructure Assistance Program (PIAP)

The PIAP is designed to financially assist capital-intensive infrastructure projects that create unique opportunities for quality, high-wage jobs and demonstrate a statewide impact. Both Iowa communities and new or existing businesses are eligible for this innovative program.

PIAP is designed to take a comprehensive approach to address a wide variety of critical infrastructure needs. This program may also be used to remediate contaminated sites that have potential development opportunities contingent on the cleanup. Assistance is provided in the form of loans, forgivable loans, and cost indemnification agreements.

Public Facilities Set-Aside (PFSA) Program

The PFSA Program provides financial assistance to cities with less than 50,000 in population and to counties for public infrastructure improvements that enable businesses to create new job opportunities. Projects that will create manufacturing jobs, add value to Iowa resources, and/or increase out-of-state exports will be given priority.

Eligible projects include adding or improving sanitary sewer systems, water systems, streets, roads, and storm sewers.

Export Trade Assistance Program (ETAP)

Participating in international trade shows and trade missions are among the most effective ways for companies to enter into new international markets or expand their visibility in existing markets. Trade shows offer the opportunity to meet potential buyers, test market interest, and evaluate the competition. A trade mission can be a very efficient and cost effective means to meet potential distributors and buyers. Licensing agreements and joint ventures have also resulted from trade missions.

The state of Iowa offers financial assistance to Iowa companies who wish to take advantage of international trade shows and trade missions to enter new markets. Through the Export Trade Assistance Program, the Iowa International Office of the Iowa Department of Economic Development will reimburse up to 75% of a company's eligible direct expenses (up to $2,500 per pre-approved event), with a maximum of three times per fiscal year. Eligible expenses include booth space rental, booth construction at show site, booth equipment and/or furniture rental, booth utility costs, freight costs of equipment and/or exhibit materials to and from show, interpreter fees at show site, trade mission participation fees, and per diem for one employee for the duration of the event.

Community Development Block Grant Funds

This program is administered by cities and counties under federal guidelines. These funds can be used by the local governments for a range of activities, including business incentives.

Minnesota

Incentives

Job Opportunity Building Zones (JOBZ)

The state of Minnesota has created Job Opportunity Building Zones, also known as JOBZ, to stimulate economic development activity in rural Minnesota by providing local and state tax exemptions.

Ten Job Opportunity Building Zones encompassing over 29,000 acres in more than 325 sub zone communities and 1 Agricultural Processing Facility Zone (APFZ) have been created for a maximum duration of 12 years beginning January 1, 2004. Each JOBZ includes acres for primarily industrial, value-added, or high paying service businesses.

Tax exemptions apply only to qualified businesses. Qualified businesses include businesses expanding in a Zone, business startups in a Zone, business relocations from other states, and business relocations from Minnesota, providing that the business increases employment by a minimum of 5 jobs or 20%, whichever is greater, within the first full year of operations in the Zone.

A qualified business will be eligible for JOBZ through the execution of a local Business Subsidy Agreement and Relocation Agreement (if necessary). A qualifying business must pay compensation to each employee, including benefits not mandated by law, which, on an annualized basis, is equal to at least 110 percent of the federal poverty level for a family of four. Retail development is not eligible for JOBZ benefits.

Types of tax exemptions include corporate franchise tax, income tax for operators or investors including capital gains tax, sales tax on goods and services used in the zone if the goods and services were purchased during the duration of the zone, property tax on commercial and industrial improvements but not on land, wind energy production tax, and employment tax credit for high paying jobs.

Exemption does not apply to the following property: Property subject to a general obligation bond levy, property subject to a school operating referenda approved by the voters before designation of the JOBZ or APFZ, land only (improvements to land are exempt), or property where neither the owner nor the lessee is a qualified business.

Biosciences Initiative

The establishment of Minnesota's Bioscience Zone facilitates the development of a research and development park linked to the University of Minnesota, which is a higher education facility, and to the Mayo Clinic, a well-known and respected medical facility. This corridor, located between Minneapolis, St. Paul, and Rochester, will help existing and start-up bioscience companies have greater access to educational institutions and provide tax incentives to help them facilitate their growth.

To qualify for the tax exemptions, a business must start-up, relocate to, or expand in the zone. Companies relocating from another site in Minnesota qualify by increasing their employment by 20 % or making a capital investment of at least 10% of gross revenues within the first year that they are in the zone.

The Bioscience Zone has many different tax incentives available to help companies grow and expand in Minnesota. These tax incentives include corporate tax, sales and use tax, wind energy production tax exemptions, and property tax benefits. Tax credits for job creation and research and development are also available. Exemptions are available for up to twelve years beginning January 2004.

Border-Cities Enterprise Zone Program

The Border-Cities Enterprise Zone Program provides business tax credits to qualifying businesses that are the source of investment, development, and job creation or retention in the Border-Cities Enterprise Zone cities of Breckenridge, Dilworth, East Grand Forks, Moorhead, or Ortonville. These tax credits include property tax credits, debt financing credit on new construction, sales tax credit on construction equipment and materials, and new or existing employee credits.

Businesses locating or existing in those cities are eligible for business tax credits, with the exception of the following: a recreation or entertainment facility, a business owned by a fraternal or veteran's organization, one owned by a public utility, one used in operation of a financial institution, or a facility owned by a retail food or beverage service business operating under a franchise agreement requiring the business to be located in the state.

Small Business Innovation Research and Small Business Technology Transfer Programs

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs provide grants and contracts to small and start-up companies to develop new products and services based on advanced technologies. The foundation of both programs is to fund small businesses in their research and development efforts leading to commercialization of products and services.

Tax Increment Financing

Minnesota statutes provide for tax increment financing as a basis for local units of government to divert a portion of a development project's tax base to help finance the feasibility of new economic development. Tax increment financing may utilize either the use of bonds or "pay as you go" financing and can be used for land and building acquisition, demolition and clearance, relocation costs, public improvements such as sewer, water and utilities, soil corrections, site preparation, legal, engineering and administrative costs, bonding and capitalized interest, and project contingencies.

Financing

Becoming eligible for financing through the programs of the Minnesota Department of Employment and Economic Development depends on a number of factors, including the type of business, size, location, and the kind of financing needed.

Business financing programs available in Minnesota are as follows:

Minnesota Investment Fund

The Minnesota Investment Fund provides grants to help businesses acquiring fixed assets, (such as equipment, buildings, and land) resulting in the addition of new workers and the retention of high quality jobs. The focus is on industrial, manufacturing, and technology-related industries, excluding retail enterprises, to increase the local and state tax base and improve the economic vitality for all Minnesota citizens.

Grants are awarded to local units of government who provide loans to assist expanding businesses. Cities, counties, townships, and recognized Indian tribal governments are eligible for this fund. All projects must meet minimum criteria for private investment, number of jobs created or retained, and wages paid. There is a maximum of $500,000 per grant. Only one grant per state fiscal year can be awarded to a government unit. At least 50% of total project costs must be privately financed through owner equity and other lending sources. Grant terms are for a maximum of twenty years for real estate and ten years for machinery and equipment. Interest rates are negotiated.

Minnesota Job Skills Partnership

The Minnesota Jobs Skills Partnership (MJSP) Program strategically helps Minnesota businesses and schools competitively train the workforce. Grants are awarded by the MJSP Board to educational institutions that partner with businesses to develop new job training or retraining for existing employees. All training projects pair at least one public/private accredited Minnesota educational institution and one business. Funds may be used for training related costs or educational infrastructure improvements necessary to support businesses located or intending to locate in Minnesota. A cash or in-kind contribution from the contributing business must match program funds on at least a one-to-one ratio.

Pathways Program

The Pathways Program, which is a Minnesota Job Skills Partnership (MJSP) Program activity, acts as a catalyst between business and education in developing cooperative training projects for individuals who are at or below 200% of federal poverty guidelines or who are making the transition from public assistance to the workforce.

Grants are awarded to accredited Minnesota public and/or private educational institutions with businesses as partners; all projects must have at least one educational institution and one business working together. Preference is given to projects that provide employment with benefits and projects with defined career paths. Funds may be used for training-related costs or educational infrastructure improvements necessary to support businesses located or intending to locate in Minnesota. Requests for wage subsidies and tuition reimbursements are ineligible. Up to $400,000 per grant can be awarded for a project. A cash in-kind contribution from the contributing business must match program funds on at least a one-to-one ratio. Projects average twelve months to three years in duration.

Small Business Development Loan Program

The purpose of the Small Business Development Loan Program is to create jobs and provide loans for business expansions. Small business loans are made by the Minnesota Agricultural and Economic Development Board through the issuance of industrial development bonds backed by a state-funded reserve of 25%.

Those eligible for loans through the Small Business Development Loan Program include manufacturing and industrial businesses located or intending to locate in Minnesota, as defined by Small Business Administration size and eligibility standards (generally, those with 500 employees or fewer). Loans up to a maximum of $5 million may be made for any one business. Generally, 20% of the project costs must be privately financed through equity or other sources. Interest rate is the market rate of interest for similar securities at the time bonds are sold; rates are fixed for the term of the loan. Real estate loans are for a maximum of twenty years; equipment loans are limited to ten years.

Urban Initiative Loan Program

The program provides fixed asset and working capital financing for minority owned and operated businesses and others who are creating and filling jobs for low income people in Minneapolis, St. Paul, and inner ring suburbs.

The Urban Initiative Board has entered into partnerships with several local nonprofit organizations, which then provide loans and technical assistance to start-up and expanding businesses. Each dollar of state funds must be matched by at least an equal amount of private funds. Generally, this match is provided in a loan through the participating nonprofit partner. The maximum total loan available through the program is $300,000. The state may contribute 50% of the loan up to $150,000. Interest rates are between 2% and 10%. Terms are generally consistent with other sources of project financing. Each nonprofit has authority to determine specific interest rates and collateral requirements.

Community Development Block Grant Funds

This program is administered by cities and counties under federal guidelines. These funds can be used by the local governments for a range of activities, including business incentives.

Nebraska

Incentives

Nebraska Advantage Act

The Nebraska Advantage Act contains 5 tiers of benefits and incentives:

Tier 1 - Nebraska Small Business Advantage - $1 million of new investment and 10 new jobs. Qualifying businesses under this tier are eligible for a refund of ½ of the sales tax paid for qualified property purchases at the project, the full sliding scale wage credit of 3, 4, 5, or 6%, depending on wage level, and a 3% investment tax credit. This tier is available to manufacturers, research and development or testing businesses, and listed technology-related services, where at least 75% of the sales and licensing are to out-of-state customers or to the federal government.

Tier 2 - $3 million of new investment and 30 new jobs. This tier qualifies for sales tax refunds for capital purchases at the project, the sliding scale wage credit, and a 10% investment tax credit.

Tier 3 – Jobs only tier. For the creation of 30 new jobs, the company receives the sliding scale wage credit. No capital investment is required.

Tier 4 - $10 million in investment and 100 new jobs. In addition to the sales tax refund, jobs credit, and the investment credit, qualifying businesses under this tier receive a personal property tax exemption for turbine-powered aircraft, mainframe computers, agricultural product processing machinery, and personal property used in a distribution facility for up to 10 years.

Tier 5 – Investment only tier. This tier requires $30 million in new investment and no new jobs. Companies receive a refund of sales taxes paid on eligible property with the project.

Research and Development Advantage

The Research and Development Advantage incentive provides an income tax credit for research and development activities by any business entity and allows a research tax credit to business firms that increase research expenditures in Nebraska. The credit is equal to 3% of any research and development expenditures that are greater than the average of the previous two years' research and development spending. An important feature is that a business with little or no income may take advantage of the income tax credit by receiving a sales tax refund or a refundable income tax credit.

Microenterprise Tax Credit Advantage

The Microenterprise Tax Credit Advantage incentive provides a 20% refundable investment tax credit to micro businesses on new investment in targeted communities. Applicants may qualify for a maximum $10,000 throughout the life of the program. The credit is geared to companies with five or fewer employees, including start-ups. Credits are approved through an application process with the Nebraska Department of Revenue and evaluated on expected local economic impact. The credits would apply to new expenditures for wages, buildings, and non-vehicle depreciable personal property.

Rural Development Advantage

In counties with populations of less than 25,000 or in designated enterprise zones, refundable income and sales tax credits are given for hiring five new full time employees, for $250,000 in investment, and for payment of a qualifying wage. The credits are $3,000 for each new employee and $2,750 for each $50,000 worth of new investment.

State and Local Sales Tax Exemption on Manufacturing Machinery, Equipment, and Related Services

Manufacturing machinery and equipment is defined to include equipment for transporting raw materials or components, molds and dies for forming cast or injected products or packaging materials for same, machinery to maintain the integrity of the product or environmental conditions, testing equipment for quality control, computers that control a manufacturing process, machinery used to produce steam, electricity, catalysts, and solutions, repair or replacement parts, and all installation, repair, and maintenance service performed on such equipment.

Nebraska Agriculture Innovation Advantage

Agriculture Opportunities and Value-Added Partnership Act

The Agriculture Opportunities and Value-Added Partnership Act reauthorizes a value-added grant program providing grants up to $75,000 to cooperatives, groups, or associations to help offset the costs of research, education, training, and market development of value-added products sold by producers.

Building Entrepreneurial Communities Act

The Building Entrepreneurial Communities Act provides grants of up to $75,000 to rural communities for the purpose of implementing collaborative projects addressing issues related to chronic economic distress, unemployment, lower-than-average per capital income, and severe population loss.

Nebraska Customized Job Training Advantage

The purpose of the Nebraska Customized Training Grant Program is to provide employee training assistance to businesses that maintain, expand, and diversify the state's economic base and, in the process, retain and create quality jobs for Nebraska residents. These funds are administered by the Nebraska Department of Economic Development. Program priorities are as follows:

1. Customized training projects that result in increased investment and employment and where the training assistance is a significant incentive for the project to be undertaken in Nebraska rather that in another state.
2. Non-incentive customized training projects where there is increased investment and employment but no incentive is involved.
3. Customized training projects that involve retraining of existing workers to upgrade their skills as a result of investment in new capital.

To be consistent with the overall purpose of economic development, training assistance is limited primarily to businesses engaged in activities which sell to a non-Nebraska market. Examples include manufacturing, processing, warehousing, distribution, and headquarters operations. Businesses whose activity is mainly retail or the selling of services to a local market would not be eligible. It can only be used for training full-time employees involved in areas other than administrative support, management, or facility maintenance. Only businesses are eligible applicants.

Supported training is expected to be for training projects i.e. those with both a start and end date. It is not intended to support ongoing training programs. No financial support will be provided for training that has been completed or is in progress prior to the grant. Capital investment related to the project is required and must be demonstrated in the grant application. Investment can include expenditures on plant, equipment, or technology.

For businesses in eligible industries and with eligible products as described above, the general guidance on amounts that could be provided to assist with the training relates to the starting wage rate.

Customized Training to Improve Productivity (no job creation)

Assistance to eligible businesses for customized job training projects where no new jobs are created will only be provided when there is investment in new capital (usually machinery and equipment) related to new skills development, and there is an increase in wages as a result of the training. General guidance on the amount to be provided is contained in the following table.

Assistance Guidelines for Eligible Customized Training Projects for Existing Workers

% Increase in Hourly Wage	Range of Assistance per Trainee
6%-10%	$500
11%-15%	$700
16% or more	$900

Tax Increment Financing

Tax increment financing in Nebraska is primarily designed to finance the public costs associated with a private development project. Local governments may use tax increment financing only in redeveloping substandard and blighted areas within a community. Following such a designation, a community redevelopment agency prepares a redevelopment plan. Generally, tax increment financing funds can be used for land acquisition, public improvements and amenities, infrastructure, and utilities.

Financing

Direct Loan Program

There are two types of direct loans. The REAP Rapid Loan and the REAP Direct Loan are products of the Rural Enterprise Assistance Project (REAP), a program of the Center for Rural Affairs. The REAP Rapid Loan and REAP Direct Loan are part of a family of loan products designed to fill a gap for financing needs of startup and existing small businesses in rural Nebraska.

The REAP Rapid Loan product offers loans up to $5,000 with a unique application process. Borrowers may fill out the loan application online or manually. The REAP Rapid Loan application form serves as the complete application for the REAP Rapid Loan.

All REAP members have access to the REAP Rapid Loan product. REAP Roundtable and Association members will receive an interest rate reduction of 2% on the first two REAP Rapid Loans. This interest reduction only applies to the REAP Rapid Loan product.

All REAP loans require collateral. Subsequent larger loans can be obtained through the REAP Direct Loan Program and/or other existing micro lending organizations in Nebraska.

The REAP Direct Loan product offers loans up to $25,000. Borrowers fill out an initial loan application, either online or manually, which serves as the pre-application for the REAP Direct Loan (this is the same form as is used for the REAP Rapid Loan application).

The term of Direct Loans shall be equivalent to the useful life of the asset purchased to a maximum term of six years. The interest rate is prime plus 4% or SBA maximum limit, whichever is lower.

Peer Loan Program

REAP utilizes a unique "peer-group/step-up lending" model. In the "step-up" model, REAP members are able to borrow at various loan levels, with the first being $1,000 followed by levels of $2,000, $4,000, $8,000, and ultimately

$10,000. (A borrower may begin at the $2,000 level if they have a completed business plan.)

Borrowers can only "step-up" to the next level if they have successfully paid back their previous loan. Interest rates are prime plus 1% on the first two loans and prime plus 4% or SBA maximum allowable rate (whichever is lower) for all subsequent loans.

Quick Grow Loan Program

The Quick Grow Loan Program is a collaborative effort between the Rural Enterprise Assistance Project (REAP), a program of the Center for Rural Affairs, and GROW Nebraska. These loan products have been exclusively developed for use by GROW Nebraska clients.

The Quick Grow Loan Program offers two distinct loan products. Both loan products can be used for startup and existing business purposes and are designed for the easy borrower application process and quick turn around. The Quick Grow Loan can be $1,000 or less and requires no collateral. The Quick Grow Direct Loan can be $5,000 down to $1,000 and requires collateral. Subsequent larger loans can be obtained through existing micro lending organizations in Nebraska.

Northeast NE Economic Development District

Loans are offered through the Northeast NE Economic Development District in order to promote and assist the growth and development of businesses in northeast Nebraska and to stimulate employment, increase tax basis, increase economic diversity, and decrease net out-migration.

For-profit businesses located in certain counties of northeast Nebraska may be eligible. The business must have a business plan, demonstrate a need for financial assistance, demonstrate the ability to succeed, identify sources of private financing, and create or retain employment opportunities in northeast Nebraska.

Loans vary in range from $10,000 to the maximum of $100,000. Fixed asset financing cannot exceed fifteen years and working capital loans are financed on a short-term basis of three to seven years. Interest rates are fixed and negotiated on an individual basis. All loans are secured with all available assets and personal guarantees from the borrowers.

Energy Saving Loans

Low interest, energy saving loans are available statewide by the Nebraska Energy Office and the state's lending institutions. The interest rate is 5% or less but may be adjusted semi-annually.

Improvements made that qualify for these loans include high efficiency heating equipment, high efficiency air conditioning equipment, windows and doors, insulation, water heaters, air leaks, programmable thermostats, high efficiency lighting and controls, and other types of efficiency improvements. All improvements financed with these loans must meet efficiency standards.

Community Development Block Grant Funds

This program is administered by cities and counties under federal guidelines. These funds can be used by the local governments for a range of activities, including business incentives.

Local Option Municipal Economic Development Act

This act authorizes incorporated cities and villages to collect and appropriate local tax dollars (sales and/or property taxes), if approved by the local voters, for economic development purposes.

South Dakota

Incentives

No Corporate Income Tax, Personal Income Tax, Personal Property Tax, Inheritance Tax, or Estate Tax

Construction Tax Refund or Delay Programs

The state of South Dakota offers several programs for businesses to seek a refund or to delay the payment of tax. These programs may be applied for by the owner of the project. The programs pertain only to South Dakota state sales, use or contractors' excise taxes; municipal taxes are not included in refund calculations.

Property Tax Abatements

Local real property taxes in South Dakota vary from one to four percent of the actual value of the structure, with most rates falling between two and three percent. However, five-year property tax abatements are available on new structures or additions to existing ones.

County commissions may, at their discretion, forgive from 0% to 100% of the property taxes on a new structure or an addition to an existing one. This abatement may be available on all industrial, commercial, and non-residential agricultural structures with a value over $30,000. The property tax liability after construction cannot be less than the tax liability prior to construction.

Real property taxes are determined by taking the local mill levy and applying it to 85% of the market value of a property.

Tax Increment Financing

This program is designed as a tool for local governments. The purpose of this program is to establish and redevelop certain areas while at the same time increasing future fiscal capacity through a stronger tax base. Financing from the tax increment program must be used for redevelopment of designated areas. Local governments can rebate the tax increment or increase created by the investment in the property. State law now restricts the use to industrial projects only.

Financing

Revolving Economic Development and Initiative

The Revolving Economic Development and Initiative (REDI) Fund is designed to help promote job growth in South Dakota. This low interest loan fund is available to start-up firms, businesses that are expanding or relocating, and local economic development corporations.

The REDI Fund provides up to 45% of a project's total cost. Companies should secure matching funds and be able to provide a 10% minimum equity contribution before applying to the Board of Economic Development for a REDI Fund loan.

Interest rates have remained at 3% since the program's inception. Loans are amortized up to 20 years on land and buildings and 10 years on equipment, with a balloon payment due after five years.

Agricultural Processing and Export Loan Program

The Agricultural Processing and Export (APEX) Loan Program is designed to assist companies in communities with a population of 25,000 or less, or companies which add value to agricultural products through processing. The program is open to for-profit businesses and local economic development corporations.

The program may provide up to 75% of the total project cost and requires the applicant to secure the other funds before applying for the APEX loan, including a 10% minimum equity contribution. The maximum loan amount available from the APEX program is $150,000.

Eligible project costs include the purchase of land and the associated site improvements, the purchase and installation of machinery and equipment, the construction, acquisition or renovation of a building, and fees, services and other costs associated with construction.

Interest rates for these loans are between 5% and 7%, depending upon the risk of the project and the amount of participation by APEX. The interest rate will be determined at loan consideration and will be fixed for the life of the loan. The loans are amortized over the useful life of the assets being financed.

MicroLOAN South Dakota

The MicroLOAN South Dakota Loan Program is in partnership with the Board of Economic Development, South Dakota Development Corporation, and the Governor's Office of Economic Development. These loans are made available to small businesses within the borders of South Dakota and South Dakota residents, including main street and retail operation, for working capital, equipment, real estate, or other fixed asset project costs.

Bond Financing

Another financing option is the pooled loan program through South Dakota's Economic Development Finance Authority. This loan program, designed for more capital intensive projects, provides small businesses access to larger capital markets for tax-exempt or taxable bond issuances. The program can fund projects individually or pool them to help lower the cost of the bond issuance. One of the biggest advantages of this program is a long-term loan with a fixed interest rate.

All for profit businesses that are engaged in the operation of an industrial, processing, or manufacturing business may apply for bond financing through he South Dakota Economic Development Finance Authority.

The bonds can be either taxable or tax-exempt. To qualify for tax-exempt financing the borrower must be a manufacturer. Bond proceeds can be used to finance 80% of new construction and 75% of new equipment costs, with no greater than 25% of the bond proceeds being used for ancillary activities such as office or inventory space.

Value-Added Agriculture Subfund

The Value-Added Agriculture Subfund was created specifically to assist in funding feasibility and marketing studies for prospective value-added agriculture business.

Subfund loans cannot exceed more than 50% of the total eligible project costs for marketing or feasibility study expenses, applicants must provide equity contribution of at least 10% of the total project cost for marketing and/or feasibility study expenses, and loan proceeds may be used for salaries, consultant contracts, supplies, and necessary services for feasibility or marketing studies. The maturity of a loan may not be more than five years, with payments amortized over not more than twenty years.

Value-Added Tourism Subfund

Another Subfund of the REDI Fund is the Value-Added Tourism Subfund. This fund is specifically designed for feasibility studies and the marketing of value added tourism projects.

By using funds from the Value-Added Tourism Subfund, the state of South Dakota hopes to attract more visitors to South Dakota from other states and countries, lengthen the stay of visitors to South Dakota, expand the visitor season beyond peak seasons, create primary jobs in the visitor industry, and expand upon historical, cultural, scenic, wildlife, and other resources in South Dakota.

Subfund loans cannot exceed more than 50% of the total eligible project costs for marketing or feasibility study expenses, applicants must provide equity contribution of at least 10% of the total project cost for marketing and/or feasibility study expenses, and loan proceeds may be used for salaries, consultant contracts, supplies, and necessary services for feasibility or marketing studies. The maturity of a loan may not be more than five years, with payments amortized over not more than twenty years.

Capital Investment Entity Program

The Capital Investment Entity Program allows borrowing entities to invest in South Dakota companies while providing increased access to capital. When matching state dollars on a four to one basis, a borrower may increase their investment in a South Dakota company by 25%. The purpose of the program is two-fold. First, it allows borrowers to increase their investment in South Dakota companies. Second, they can invest in more companies.

The interest rate on the Capital Investment Entity Program is the New York Prime Rate as published in the "Money Rates" section of the Wall Street Journal at the time of disbursement of loan proceeds, plus five percent, adjustable daily. There is a four to one matching requirement.

Entrepreneur Support Program

The South Dakota Entrepreneur Support Program was established to provide financial assistance to people who have an idea for a new business, but lack all the capital necessary to make it happen. If an applicant is approved for a loan, they may be entitled to a three year debt service holiday (no interest or principal payments for the first three years).

The interest rates for the Entrepreneur Support Program are 10% during the debt service holiday (up to three years), and 8% following the holiday.

Workforce Development Program

Through the Workforce Development Program, grants are given to companies to help train new and existing employees. The program can fund up to 50 percent of the eligible training costs with the company providing the balance with a cash or in-kind match.

Community Development Block Grant Funds

This program is administered by cities and counties under federal guidelines. These funds can be used by the local governments for a range of activities, including business incentives.

Appendix A

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

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 the state in which the company is domiciled, i.e. the owner lives in the state where the 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 increment 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:				
Summary of Taxes				
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' Individual Income Tax	44,470	47,960	45,125	0
Overall Tax Burden	1,226,055	1,362,720	1,212,984	1,190,398
Tax Credits and Incentives				
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	0	0	(225,000)	0
Total Tax Credits And Incentives	(806,045)	(1,016,640)	(556,990)	(471,390)
NET TAX BURDEN	$ 420,010	$ 346,080	$ 655,994	$ 719,008

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, 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:

	Iowa	Minnesota	Nebraska	South Dakota
Construction Materials:				
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
Total	87,500	113,750	96,250	70,000
Manufacturing Machinery and Equipment:				
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	2,000
Total	0	0	0	208,000
Furniture and Fixtures:				
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
Total	50,000	65,000	55,000	40,000
Manufacturing Utilities:				
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	10,000
Total	0	0	0	50,000

Other Taxable Purchases:				
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	25,000	32,500	27,500	20,000
Total	125,000	162,500	137,500	100,000
TOTAL SALES TAX	$ 262,500	$ 341,250	$ 288,750	$ 468,000

CONTRACTORS' EXCISE TAX:

	Iowa	Minnesota	Nebraska	South Dakota
On Realty 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	0	0	0	72,864

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	43,665	135,790	41,000	24,969

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	39,375	107,190	43,240	0

	Iowa	Minnesota	Nebraska	South Dakota
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	$ 90,680	$ 82,615	$ 86,815	$ 130,055

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

	Iowa	Minnesota	Nebraska	South Dakota
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	(30,830)	(28,090)	(29,515)	(44,220)
TOTAL CORPORATE INCOME TAX:	99,225	161,715	100,540	85,835

PROPERTY TAXES:

	Iowa	Minnesota	Nebraska	South Dakota
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	155,239	135,201	78,428	107,746
Total	776,195	676,005	392,140	538,730
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	38,005	0
Total	0	0	345,429	-
TOTAL PROPERTY TAXES:	$ 776,195	$ 676,005	$ 737,569	$ 538,730

OWNERS' INDIVIDUAL INCOME TAX:

	Iowa	Minnesota	Nebraska	South Dakota
$200,000 Salary:				
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	11,767	12,745	11,898	0
Total	58,835	63,725	59,490	0
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	(2,873)	(3,153)	(2,873)	0
Total	(14,365)	(15,765)	(14,365)	0
TOTAL OWNERS' INDIVIDUAL INCOME TAX	44,470	47,960	45,125	0
OVERALL TAX BURDEN:	$1,226,055	$1,362,720	$1,212,984	$1,190,398

INCENTIVES

	Iowa	Minnesota	Nebraska	South Dakota
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	(135,834)	(113,640)	0	(94,278)
Total	(679,170)	(568,200)	0	(471,390)

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	(39,375)	(107,190)	(43,240)	0
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	(87,500)	(341,250)	(288,750)	0
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	0	0	(225,000)	0
TOTAL INCENTIVES	(806,045)	(1,016,640)	(556,990)	(471,390)
NET TAX BURDEN	$ 420,010	$ 346,080	$ 655,994	$ 719,008

Appendix B

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