

Incentive Estimate

Prepared For: City of Fresno

Sample Client

Prepared By: Melodee Schwamb

Economic Development

servicing Fresno County

All incentive amounts shown below are based on 10 years of operation in Fresno

Please see accompanying report for Prospect Description Data and Assumptions/Qualifications. Note that the estimate is based on the information shown in the prospect description.

Program Name	Incentive Value	Qualify	Type
FEDERAL PROGRAMS			
Work Opportunity Tax Credit	\$540,000	Yes	Tax Credit
Welfare To Work Tax Credit	\$1,912,500	Yes	Tax Credit
Research and Development Tax Credit	\$0	No	Tax Credit
Empowerment Zone Employment Credit	\$0	No	Tax Credit
Empowerment Business Expense Deduction	\$0	No	Deduction
Renewal Community Employment Credit	\$0	No	Tax Credit
Renewal Community Business Expense Deduction	\$0	No	Deduction
Renewal Community Commercial Revitalization Deduction	\$0	No	Deduction
Total Credits Against Federal Income Tax Liability	\$1,912,500		
Total Deductions Against Taxable Federal Income	\$0		
STATE OF CALIFORNIA PROGRAMS			
Manufacturer's Investment Tax Credit	\$48,000	Yes	Tax Credit
Research and Development Tax Credit	\$0	No	Tax Credit
Child Care Tax Credit	\$0	No	Tax Credit
On-The-Job Training Reimbursements	\$844,560	Yes	Wage Reimbursement
Employment Training Panel	\$351,000	Yes	Training
Enterprise Zone Hiring Tax Credit	\$5,508,000	Yes	Tax Credit
Enterprise Zone Sales and Use Tax Credit	\$63,040	Yes	Tax Credit
Enterprise Zone Business Expense Deduction	\$40,000	Yes	Tax Credit
Total Credits Against State Income Tax Liability	\$5,659,040		
Total Training Wage Reimbursements	\$1,195,560		
LOCAL PROGRAMS			
Customized Training	\$192,000	Yes	Training Reimbursement
Fresno STEP Program	\$102,000	Yes	Credit to Sewer Connect.
Total Training, Wage and Other Cost Reimbursements	\$294,000		
Note for Federal incentives, tax credits are only given for the greater of the first two programs.			
TOTAL INCENTIVE VALUE:	\$9,061,100		(10 Year Total Value)
Other Local Incentives	\$0		

Your company may qualify for additional site-specific incentives not shown here, depending on your

Prospect Description

Sample Client in Fresno

Project Name: Sample Client

Start Year: 2002

Last Update: 8/20/2003

Location: Fresno

Business Type: Corporation

Enterprise Zone New Sewer Connection

Empowerment Zone

Renewal Community

Prospect Annual Data

Year	Total Employees	Average Hourly Wage	Annual Hours Worked	Benefits as % Salary	Employees In Empowerment	Target Income Groups			
						% Employees	Avg Annual Hours	Avg Hourly Wage	Live in Emp/Renew
2002	200	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2003	300	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2004	400	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2005	500	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2006	600	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2007	700	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2008	750	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2009	750	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2010	750	\$20.00	2040	30%	0	30%	2040	\$8.00	0
2011	750	\$20.00	2040	30%	0	30%	2040	\$8.00	0

Year	Manufacturing Equipment Purchased	Pollution Control Equipment Purchase	Construction Costs for Manufacturing	Construction Costs for Other Type	R&D Expenses In-House in California	R&D Expenses Outsourced California	R&D Expenses Outsourced ElseWhere	Expenditures Child Care Facilities & Programs
2002	\$500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2003	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2004	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2005	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2006	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2007	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2008	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2009	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2011	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Year	Avg Hours On-The-Job Training per WIA	Number of WIA Qualified Employees	Avg Hourly Wages for WIA Qualified Employees	Avg Hours ETP OTJ Training per Employee	Avg Hours ETP Classroom Training	Number of Employees Participating	Avg Cost Custom Training per WIA
2002	1020	42	\$8	26	14	200	\$2,000
2003	1020	30	\$8	0	0	0	\$2,000
2004	1020	30	\$8	0	0	0	\$2,000
2005	1020	30	\$8	0	0	0	\$2,000
2006	1020	30	\$8	0	0	0	\$2,000
2007	1020	30	\$8	26	14	700	\$2,000
2008	1020	15	\$8	0	0	0	\$0
2009	0	0	\$0	0	0	0	\$0
2010	0	0	\$0	0	0	0	\$0
2011	0	0	\$0	0	0	0	\$0

Program Descriptions

Prepared for Sample Client

INCENTIVE ASSUMPTIONS AND QUALIFICATIONS

This incentive estimate is intended as a guideline as to the types of programs and potential value of incentives for which your company may be qualified. The programs described here are based on assumptions and present knowledge about future company operations. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results because events and circumstances frequently do not occur as expected. The EDC serving Fresno County cannot guarantee that your company will be certified for and actually receive these incentives.

Federal Programs

>> The Work Opportunity Tax Credit is a federal income tax credit that encourages employers to hire eight targeted groups of job seekers. The program provides credits for 40 percent of qualified wages for the first year of employment for new hires employed 400 hours or more, and 25 percent of wages for new hires employed for 120 to 400 hours. Qualified wages are capped at \$6,000 for all target groups except Summer Youth, whose wages are capped at \$3,000. Estimates shown here cap all eligible wages at \$6,000 per year.

New hires in this program must belong to one of eight target groups: (1) Welfare to Work recipients for at least 9 of 18 months prior to date of hire; (2) 18 to 24 year old food stamp recipients for at least six consecutive months prior to date of hire; (3) veterans who are members of families receiving food stamps for three months prior to hire; (4) vocational rehabilitation referrals who have completed services approved by California or the U.S. Department of Veteran Affairs; (5) 18 to 24 year old Empowerment Zone or Renewal Community residents; (6) 16 to 17 year old Empowerment Zone or Renewal Community residents hired as Summer Youth Employees; (7) Supplemental Social Security recipients; or (8) ex-felons who are members of a low income family. Employers must apply for and receive certification from the California Employment Development Department for all new hires in this program. Unused credits may be carried forward for up to 20 years.

>> The Welfare to Work Tax Credit is a federal income tax credit that encourages employers to hire long-term welfare recipients. The program provides credits for 35 percent of wages in the first year of employment for new hires employed 400 or more hours, and 50% of wages for the second year of employment. Qualified wages are capped at \$10,000 per employee per year including tax-exempt health insurance or educational assistance benefits.

New hires in this program must belong to one of two target groups: (1) Welfare to Work recipients for at least 18 consecutive months prior to hire, (2) Members of a family whose welfare eligibility has expired. Employers must apply for and receive certification from the California Employment Development Department for all new hires in this program. Unused credits may be carried forward for up to 20 years.

Program Descriptions

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>> *The Research and Development Tax Credit encourages companies to increase their research and development activities. The federal income tax credit is equal to 20 percent of the cost of qualifying in-house research expenses, plus 65 percent of research expenses out-sourced in California and elsewhere. Qualifying expenditures must not include research for the purpose of improving a commercial product for style, taste, cosmetic or seasonal design factors. This program is scheduled to sunset in 2004. A similar program is available through the State of California for state income tax credits.*

>> *Empowerment Zone Hiring Credits provide income tax credits for a portion of the wages of qualified employees. Twenty percent of qualified zone wages up to a maximum of \$15,000 per employee per calendar year can be used toward the tax credit. Wages used to qualify for Welfare to Work or Work Opportunity tax credits are excluded. Eligible employees must perform substantially all of their work for the subject business within the boundaries of the empowerment zone and must reside in the zone. Unused credits can be carried forward up to 20 years.*

>> *The Empowerment Zone Business Expense Deduction allows companies to deduct the cost of qualified property purchased for exclusive use in an empowerment zone in the first year it is placed in service. This includes most manufacturing, pollution control and other equipment and furnishings that would be eligible for depreciation. The maximum deduction is \$60,000 per year. If the amount of qualified property is over \$520,000 there is no benefit. If the amount of qualified property is between \$400,000 and \$520,000 the deduction is equal to \$60,000 less 50 percent of the level of investment over \$200,000. If the amount of qualified property is less than \$400,000, the deduction is equal to the value of the qualified property up to \$60,000. In order to qualify, a business must have at least 35 percent of their employees residing in the empowerment zone.*

>> *Renewal Community Hiring Credits provide income tax credits for a portion of the wages of qualified employees. Fifteen percent of qualified wages up to a maximum of \$10,000 per employee per calendar year can be used toward the tax credit. Wages used to qualify for Welfare to Work or Work Opportunity tax credits are excluded. Eligible employees must perform substantially all of their work for the subject business within the boundaries of the renewal community and must reside in the community. Unused credits can be carried forward up to 20 years.*

>> *The Renewal Community Business Expense Deduction allows companies to deduct the cost of qualified property purchased for exclusive use in a renewal community in the first year it is placed in service. This includes most manufacturing, pollution control and other equipment and furnishings that would be eligible for depreciation. The maximum deduction is \$60,000 per year. If the amount of qualified property is over \$520,000 there is no benefit. If the amount of qualified property is between \$400,000 and \$520,000 the deduction is equal to \$60,000 less 50 percent of the level of investment over \$200,000. If the amount of qualified property is less than \$400,000, the deduction is equal to the value of the qualified property up to \$60,000. In order to qualify, a business must have at least 35 percent of their employees residing in the renewal community.*

Program Descriptions

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>> A *Renewal Community Commercial Revitalization Deduction* is available to businesses that invest in construction or reconstruction of nonresidential property within the renewal community. The deduction is equal to 50 percent of the construction cost up to a maximum of \$5,000,000 in the year the building is placed in service. This is the method used in this incentive estimate. However, as an alternative, all expenses may be amortized over a 120-month period beginning with the month the building is placed in service.

State Programs

>> The *Manufacturer's Investment Tax Credit* can be used to offset state income or franchise tax based on the purchase or lease of depreciable manufacturing equipment. In addition, special purpose buildings and foundations such as clean rooms for high tech manufacturers and pollution control equipment purchases may be eligible for this credit. The credit is equal to 6 percent of the cost of manufacturing or pollution control equipment purchases plus the cost of any construction or reconstruction of special purpose manufacturing facilities. Any unused credit can be carried forward up to 8 years.

>> The *Research and Development Tax Credit* encourages companies to increase their research and development activities in California. The state income tax credit is equal to 15 percent of the cost of qualifying in-house research expenses in California, or 24 percent of research expenses out-sourced in California. Qualifying expenditures must not include research for the purpose of improving a commercial product for style, taste, cosmetic or seasonal design factors.

>> The *Child Care Tax Credit* is designed to offset expenses for employers who start a child care program for their employees, or construct an on-site child care facility. The state income tax credit is equal to 30 percent of program or construction costs up to \$50,000 per year. Unused credits may be carried forward.

>> *On the Job Training Reimbursements* are available through the Workforce Investment Act (WIA) for companies that provide on-the-job training for eligible recipients. The reimbursement is equal to 50 percent of average wages for WIA employees during a training period of up to six months, which is assumed to be 1,040 hours in this calculation.

>> The *Employment Training Panel* program reimburses employers for the cost of customized training for new or existing employees. The benefits range from \$13 to \$20 per hour per trainee for classroom or laboratory training, depending on the size of the company. The program also includes reimbursement of \$8 per hour per trainee for structured on-site training or computer-based training. To qualify, the employer must provide at least 40 hours of training per employee up to a maximum of 200 hours, and employees who complete the training must remain on the job for at least 90 days. The company may provide no more than two hours of on the job, or structured on-site training, for every hour of classroom training.

Program Descriptions

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>> *The Enterprise Zone Sales and Use Tax Credit allows businesses to reduce their income taxes by the amount of sales or use tax paid on the purchase of manufacturing equipment, data processing or communication equipment, motion picture manufacturing equipment, or pollution control equipment for use in an enterprise zone. In the example shown here, the incentive is equal to 7.88 percent times the value of equipment purchased. The maximum eligible equipment purchase for corporations is \$20 million per year, and for partnerships or sole proprietors the maximum is \$1 million per year. Taxpayers who claim both a hiring and sales and use tax credit may not claim a total credit greater than their tax on enterprise zone income in any one year. However, unused credits may be carried forward to future years.*

>> *The Enterprise Zone Business Expense Deduction allows companies to deduct the cost of qualified property purchased for exclusive use in an enterprise zone in the first year it is placed in service. This includes most manufacturing, pollution control and other equipment and furnishings that would be eligible for depreciation. The maximum deduction is 40 percent of the cost of qualified property, or \$20,000 per year.*

Local Programs

>> *Special incentives are available to companies in Fresno County locating within an Enterprise Zone. Enterprise Zone Hiring Credits provide income tax credits for a portion of the wages of qualified employees for five years. The portion of the wages that are eligible for the credit begins at 50 percent in year one, and follows a graduated schedule decreasing by 10 percent each year, to 10 percent of wages in year five. Eligible employees must perform at least 50 percent of work within the boundaries of the enterprise zone.*

Qualified employees must be residents of an enterprise zone OR come from one of the following targeted groups: WIA participants; persons eligible under Welfare to Work; a member of a targeted group under the federal Work Opportunity Tax Credit described above; an economically disadvantaged person over age 14; a qualified dislocated worker; a disabled person in a state rehabilitation plan; a service-connected disabled veteran; a veteran recently separated from service; a Vietnam era veteran; an ex-offender; Native Americans; a person eligible for supplemental social security, food stamps, AFDC or general assistance. Interested companies should contact the local enterprise zone coordinator for information on the verification process.

>> *The Customized Training Program is intended to develop the skill sets of potential trainees to match specific job requirements set by the employer. Qualified employees must be WIA eligible. The incentive is equal to 50% of the approved cost of training up to \$2000 for each participating employee. The reimbursement is paid in the following increments: 20 percent of the training cost for the number of participants at enrollment; an additional 50 percent of the training cost for the number of participants who complete the training and are hired full time; and 30 percent, or the remaining training cost per employee, for participants who complete 90 days of employment. Upon completion of customized training, employees may be transitioned into on-the-job training that may also be eligible for reimbursement. Eligible employers cannot have had lay-offs in the previous 120 days or be involved in a labor dispute.*

Program Descriptions

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>> The City of Fresno offers the STEP/Employment Development program to businesses with new or expanded sewer connections in the city. The program provides a credit against regular sewer charges equal to \$510 per FTE employee. The credit amount is based on 150 gallons of the flow-based portion of the STEP charges. The credit may be spread over up to 18 billing periods.

Sample Client Specific Notes: