

# Incentives

New and expanding companies locating in Chattanooga and Hamilton County may take advantage of numerous incentives. Most of the incentives vary based on a company's financial investment and the number of new jobs.

## Financing

### **Industrial Development Bonds**

Financing for fixed assets for manufacturing facilities and non-profit 501 (c) (3) companies with tax-exempt bonds and financing for any commercial or industrial projects with taxable bonds or notes.

### **Small Business Administration (SBA) 7 (a) Loan Guaranty**

Maximum loan amount of \$2,000,000 with a 75% guarantee on the loan given to the lending financial institution. Proceeds can be used for any business purpose (fixed assets, working capital, etc.), must be collateralized, and personal guarantees are required. Loan terms from 5 to 25 years.

### **Small Business Administration LowDoc Loan**

Maximum loan amount of \$150,000 with an 85% guarantee given by the SBA to the lending institution. Less paperwork and SBA approval within 36 hours of submission of complete application to SBA. Proceeds can be used for any business purpose. Collateral and personal guarantees required.

### **SBA 504 Certified Development Company Loan Program**

Long term financing of fixed assets in partnership with a financial institution. Up to 90% financing of project cost. SBA portion of the loan will have a fixed rate for the entire term of the loan. Equipment loans have a 10 year maturity, and real estate loans have a 20 year maturity (terms are for SBA portion of the loan only; bank portion, usually 50% of the project, is set by the participating bank).

**Southeast Tennessee Local Development Corporation (SLDC) Loan Funds**

Two internal loan fund programs, each with specific lending requirements, with a maximum loan amount of \$150,000. Can be used for any business purpose. Must be collateralized, and personal guarantees required. Loans are used to provide gap financing, in most cases, partnering with financial institutions.

**Tennessee Valley Authority Economic Development Loans (EDLF)**

The EDLF stimulates job creation and capital investment in the TVA region by assisting new and expanding industrial companies. The goal is to create or retain jobs, using the guideline of one job created or retained for every \$5,000 invested by TVA. Loans are used for the acquisition of fixed assets, and the amount varies by type of project. The maximum amount of loan is \$2 million. To qualify, the loan will need to be co-sponsored by a power distributor, local government, or economic development agency.

**Minority Business Development Loan Fund**

This is a revolving loan fund established to support the start-up, growth, and expansion efforts of minority and other socially and economically disadvantaged business owners in the Valley. Eligibility is determined using Small Business Act guidelines. Loans typically range from \$50,000 up to \$500,000.

## State Programs

### **FastTrack Job Training Assistance Program**

Training assistance for new and existing business and industry is available as an incentive by the state of Tennessee when associated with new investment for facilities, equipment and new job hires. FastTrack staff helps a company plan, develop and implement a customized training program that meets initial training needs with follow up to insure each phase of the training program is effective and flexible. FastTrack will coordinate directly with the company to develop and implement the necessary skill and knowledge training program.

Training can be both pre-employment and post-employment, including classroom and on-the-job training. Reimbursement of development and instructor cost either by company personnel or selected vendors, including educational institutions, are eligible for support. Travel related cost, for the purpose of training, is considered a viable training expense. Training facilities and equipment are contingent upon the project and the need of the local area.

### **FastTrack Infrastructure Development Program**

Infrastructure development funds may be used for infrastructure improvements. Funds may not be used for "speculative" projects but are restricted to situations where there is a commitment by certain private sector businesses to locate or expand in the state and to create or retain jobs for Tennesseans.

#### Eligible Activities

Activities funded under the program will be limited to those services normally provided by local governments and their implementing agencies to businesses which are locating, expanding, or operating in Tennessee. These activities shall include, but not be limited to, the following types of activities:

- Water systems
- Wastewater systems
- Transportation systems
- Site improvements
- Other improvements to physical infrastructure may be eligible if it can be demonstrated that the improvements are required for the location or expansion of private business.

#### Eligible Businesses

Eligible businesses which may be assisted with the funds are limited to:

- manufacturing and other types of economic activities which export more than half of their product or services outside of Tennessee,
- businesses where more than half of their product or services enters into the production of exported products,
- uses which primarily result in import substitution or the replacement of imported products or services with those produced in Tennessee.

FastTrack infrastructure funding may not be used to support the relocation of a business within the state. The only exception to this restriction will be those instances where the appropriate local legislative body in the municipality or county which would be losing the business voices no opposition, or where the Commissioner of ECD determines that the benefit to the state outweighs the loss to the community which is losing the business.

### **Tennessee Industrial Highway Program**

The Tennessee Department of Transportation offers grants to improve ingress and egress to industrial parks and industrial sites.

### **Tennessee JobSkills**

The Tennessee Job Skills (TJS) program is a work force incentive grant program designed to assist existing employers in elevating the skills of their employees.

TJS helps a company plan, develop, and implement a customized training program that meets the company's initial training needs and follow-up to insure each phase of the training program is effective and flexible.

Reimbursement levels for the training will depend upon the source of instructors that are used; the company can be reimbursed for instruction time when a company staff member is used as an instructor. Other outside sources will demand different rates of compensation depending upon the type of training being presented.

### **Small Business Energy Loan Program**

The Tennessee Small Business Energy Loan Program provides low-interest loans of up to \$100,000 to qualified Tennessee-based businesses to help upgrade the level of energy efficiency in their buildings, plants and manufacturing processes. Firms with fewer than 300 employees or less than \$3.5 million in annual gross sales or receipts are eligible to apply for loans to install insulation, double paned windows, energy efficient heating, cooling and ventilation equipment and energy efficient lighting. Measures that can be shown to save energy or decrease demand are eligible for funding. Free energy audits are available to help interested firms identify potential sources of energy efficiency. Loans can be repaid over a period of time not to exceed 7 years.

### **Manufacturing Support**

A part of Tennessee Business Services' mission is to create high quality jobs, expand the state's diverse business and industry base and improve the competitive positions of existing Tennessee firms through targeted marketing, promotional and business assistance initiatives.

Existing Industry Services help Tennessee's existing businesses become more productive, efficient and profitable. A network of active business consultants determine needs and trends that affect existing industries and work to provide assistance through department services or leveraging services of partner agencies.

### **Tennessee Manufacturing Extension Partnership (TMEP)**

TMEP is an alliance between the Tennessee Department of Economic and Community Development and the University of Tennessee Center for Industrial Services. The partnership focuses on providing help to manufacturers with engineering, training and technical issues. TMEP is an affiliate of the National Institute of Standards and Technology (NIST) Manufacturing Extension Partnership (MEP).

## State Tax Credits & Incentives

### Excise Tax

- Excise tax credit equal to 1% of the purchase, installation and repairs of qualified industrial machinery and telecommunications equipment.
- Excise tax credit equal to 1% of the purchase price of qualified equipment associated with the required capital investment of \$500,000 by a distribution or warehouse facility.
- Net operating loss can be carried forward for 15 years.
- All capital losses may be claimed in the year occurred.

### Franchise Tax

- Tax credit of \$2,000 per new full-time employee for eligible businesses that meet requirements of a minimum 25 new full-time jobs and additional capital investment of \$500,000 and offer a minimal health care plan. Credit may also be taken for new jobs in the future resulting in a net increase in jobs.
- No franchise tax on:
  - finished goods inventory in excess of \$30 million for fiscal year beginning July 15, 1998
  - property under construction, not being utilized by the business
  - pollution control equipment
- Property rented from an industrial development board may be capitalized on the business books.
- For companies that increase Tennessee investment while also doing business in other states, Tennessee offers double weighted sales apportionment formula for franchise and excise taxes. (This means that property, payroll and sales are all taxed, but they are taxed in fourths, not thirds. Property and payroll have one fourth each and sales have two fourths.)
- The jobs tax credit can be applied to both the franchise and excise tax. The percentage of franchise and excise tax liability offset allowed ranges from 33 1/3 percent to 100 percent based on total new job creation in Tennessee. Minimum job creation is 25 new full-time jobs for the 33 1/3 percent credit. To receive the 100 percent credit a company must create 5,000 or more jobs.

## **Sales and Use**

No sales tax on:

- Purchases, installation and repairs of qualified industrial machinery
- Purchases of material handling and racking equipment associated with the required capital investment of \$10 million by a distribution or warehouse facility
- Raw materials for processing
- Pollution control equipment of manufacturers
- Reduced sales tax for manufacturers' use of energy fuel and water; tax-exempt if used directly in the manufacturing process and separately metered
- Any materials that become a component part of the finished product
- Containers, labels and packaging materials if they are sold with or accompany the product at no additional charge
- Credit of 5.5% for sales and use taxes paid on building materials, machinery and equipment used in new or expanded regional, national or international headquarters; requires capital investment of \$50 million
- Refund taxes paid on goods and services by motion picture production companies filming or producing in Tennessee; requires expenditures of \$500,000

## **Property**

No property tax on

- Goods in process
- Finished goods inventories in hands of manufacturers and inventories of merchandise for sale
- Goods in transit (free port)
- Pollution control equipment required for compliance with federal, state or local environmental protection laws

## **Personal Income Tax**

No state personal income tax on wages or salaries; certain dividend and interest income received by a Tennessee resident is taxable. Consistently one of the lowest per capita taxed states in the nation.

## **Additional Tax Credits**

The Day Care Incentive Tax establishes a credit against franchise and excise taxes for any business that establishes a day care center for children of employees.

## Other Programs

### **Community Development Block Grant Program**

Financing for fixed assets for locating or expanding industry. Grant funding available to local governments for public improvements such as roads, water and sewer lines for industrial development projects.

### **Electric Power Board**

EPB offers Enhanced Growth Credits, as well as other services designed to enhance efficiency for commercial and industrial customers. Services include: power quality analysis, energy audit, power factor correction recommendations, energy monitoring and management systems, lighting recommendations and more.

### **Expedited Permitting**

The Chattanooga Chamber's economic development staff can facilitate resolution of permitting issues to ensure an efficient construction approval process.

### **Foreign Trade Zone**

Companies located within a foreign trade zone or foreign trade sub-zone can eliminate, reduce or defer customs duties on imported and/or exported products. Foreign Trade Zone 134 is located at Centre South Riverport Industrial Park.

## **Renewal Community**

Chattanooga was designated in 2002 as a U.S. Department of Housing and Urban Development Renewal Community. Businesses within the designated zone can receive tax credits, tax deductions and accelerated write-offs for new construction or extensive building renovations within the zone. Retail, commercial, industrial and mixed-use (retail/housing) businesses are all eligible. The zone includes most of the central business district and the Southside, M. L. King Boulevard and Alton Park areas (Census Tracts 15, 19, 20, 21 and 31). The tax credits can be fairly substantial to companies that are located in, and employ people who live within, the zone.

The three most significant tax incentives for businesses are:

Employment Credit: Up to \$1,500 federal tax credit for every qualified employee living and working within the zone.

Commercial Revitalization Deduction: Up to 50% deduction allowed in the first year a building is placed into service or 10% over 10 years can be taken for qualified expenses related to acquisition and/or improvement to commercial properties.

Capital Gains Deduction: 0% capital gains on profits made from the sale of assets by qualifying businesses that hold the asset and employ at least 35% of their workforce from the RC Zone for at least 5 years.

Chattanooga is only one of 28 U. S. cities that were awarded Renewal Community status and only one of two in Tennessee (the other being Memphis).

### **The Southeast Tennessee Career Center System**

The Career Center System provides new and existing employers a broad range of human resource services including: employee recruitment, skills and interest assessment, and screening and referral. The Career Center System can also assist in developing industry-specific training and, where appropriate, enter into an On-the-Job training contract that can reimburse the employer up to 50% of the trainee's wages during the specified training period to help offset the high cost of training. All services are provided at no cost to the employer and the job seeker.