



2009-2010 Incentives

Incentives are available to new and expanding companies locating in Nashville and the surrounding 10 counties of the economic market (Davidson, Williamson, Rutherford, Wilson, Sumner, Robertson, Cheatham, Dickson, Maury & Montgomery). Incentives vary based on standards, including number of jobs created, capital investment, quality of job creation and other factors.

State Level Incentives

Jobs Tax Credit

This tax incentive provides qualified new or expanding businesses in Tennessee a \$2,000 credit if the business creates a minimum of 25 new full-time jobs in a year and makes a capital investment of at least \$500,000. The credit can be used to offset a firm's franchise and excise tax liability of 33 1/3 percent per year for a business that creates 25-1,000 jobs; 50 percent for 1,000-3,000 jobs; 75 percent for 3,000-5,000 jobs and 100 percent for more than 5,000 jobs. The credit balance can be carried forward for 15 years if a company is unable to use all of the credit in the first year.

Jobs Tax Super Credit

For larger, more capital intensive investments, Tennessee has created a Super Credit which applies to those companies investing capital of \$100 million or more and creating a minimum of 100 jobs paying at least 100% of Tennessee's average occupational wage. These credits can be used to offset up to 100% of the companies F&E tax liability, but must be taken in the first tax year after the job creation and capital investment thresholds have been met and can be taken annually. The Super Credit does not include carry-forward provisions and is available in addition to Jobs Tax Credits. The Super Credit allows companies to exempt two thirds (2/3) of the required capital investment on Schedule G of the company's franchise and excise tax return during the period in which the investment is being made. Investments must be made during a 3 year period, but can be extended to 5 years (or in the case of a \$1 billion investment, 7 years) at the discretion of the Commissioner of Economic and Community Development.

Super Credits are available at the following levels:

| Capital Investment | Jobs Created | Size of credit per job, per year | Years Available |
|--------------------|--------------|----------------------------------|-----------------|
| 100 million | 100 | \$5,000 | 3 |
| 250 million | 250 | \$5,000 | 6 |
| 500 million | 500 | \$5,000 | 12 |
| 1 billion* | 1,000 | \$5,000 | 20 |

*Projects qualifying in this category must create jobs paying 150% of the state's average occupational wage.

Integrated Supplier Tax Credit

Tennessee extends certain tax credits to suppliers located within the footprint of a project meeting the \$1 billion investment threshold and creating 1,000 or more jobs. The purpose of the Integrated Supplier Tax Credit is to expand the impact of large "anchor" projects by encouraging co-location of suppliers. A qualified supplier locating within the footprint of such a project will qualify for a Jobs Tax Super Credit equal to \$5,000 per qualified job with a 15 year carry forward, plus an additional \$5,000 per job each year for six years. The Integrated Supplier Tax Credit applies regardless of capital investment or number of jobs created.

Industrial Machinery Tax Credit

This machinery tax credit targets industries already located in the state, allowing for capital investments to upgrade facilities or equipment, even if no new jobs are created. This credit encourages industries to upgrade existing local facilities instead of allowing them to become obsolete or move elsewhere. Beginning with those less \$100 million investment, companies can receive a 1 percent credit against its combined state franchise and excise tax liability, at \$100 million receive 3 percent, at \$250 million receive 5 percent, at \$500 million receive 7 percent and at \$1 billion, 10 percent.

Qualified Data Center Tax Credit

Traditionally, a manufacturing-intensive state, Tennessee realizes that information technology is fast becoming a leader in industry. Because Tennessee is centrally located, it is well-suited to host data centers, especially server farms, which often invest approximately \$1 billion initially and \$250 million annually in equipment upgrades.

In order to qualify, data centers must make a required capital investment in excess of \$250 million during an investment period of three years, and create at least 25 new full time employee jobs that pay at least 150% the average occupational wage. Qualified centers are then eligible to purchase computer equipment exempt from sales tax and also qualify for the tiered industrial machinery credit.

Other benefits include a reduced sales tax rate on electricity of 1.5 percent.

Headquarters Tax Credit

To reward more companies who are relocating their headquarters to Tennessee, an already existing headquarters relocation incentive program was revised to allow a lower minimum threshold investment of \$10 million (down from \$20 million) in a facility with at least 100 qualified jobs which previously required 200 positions. Qualifying jobs must pay 150 percent of the Tennessee average occupational wage, or about \$50,000 annually. Relocated headquarters providing 100 to 250 jobs can also receive up to \$10,000 per job in relocation expenses; 250 to 500 jobs are eligible for up to \$20,000; for 500 to 750, up to \$30,000; and for more than 750, companies can qualify for up to \$40,000. If the taxpayer makes a capital investment of \$1 billion, the credit is up to \$50,000 per job.

The Green Energy Tax Credit

As part of a comprehensive energy strategy, Tennessee offers the Green Energy Tax Credit to certified green energy supply chain manufacturers. The credit will be granted in an amount equal to any carbon tax levied by the Tennessee Valley Authority on a certified manufacturer's energy bill. The credit must be used to offset the certified manufacturer's franchise and excise tax liability. Any tax credit which cannot be used to benefit a certified manufacturer during a fiscal year may be returned to the taxpayer in the form of a cash overpayment. TVA has agreed to supply necessary information to the Commissioner of Revenue to verify the amount of the credit.

Emerging Industry Tax Credits

Tennessee law gives the Commissioner of Revenue and the Commissioner of Economic and Community Development broad latitude in classifying certain projects as part of an emerging industry. If companies can demonstrate a strong growth potential and commit to creating jobs which pay above the county's average occupational wage, the state may waive the threshold of 25 new jobs created in order to qualify for the Jobs Tax Credit.

Corporate Excise Tax Credit

One percent of the cost of industrial machinery that has been certified by the Tennessee Department of Revenue, Sales and Use Tax Division, can be taken as an industrial machinery excise tax credit. This credit applies to manufacturing, distribution equipment, computer equipment and telephones for all types of new and expanding companies. Material handling equipment and racking systems for distribution operations also apply when the capital investment exceeds \$10 million over three years.

Sales Tax Exemptions

Sales tax exemptions and reductions are available on industrial machinery, energy, fuel and water used in a manufacturing process or processing of products for resale off premises. Material handling equipment and racking equipment are also sales tax exempt for distribution companies investing a minimum of \$10 million over three years.

Tennessee Infrastructure Improvement Program (TIIP)

This fund is utilized to offset infrastructure improvement costs, site costs and other infrastructure related costs. The maximum amount available for any one project is \$750,000. The amount of a TIIP grant is based on a cost-benefit analysis conducted by the Tennessee Department of Economic and Community Development and the infrastructure needs of the site.

Training

The state of Tennessee provides funds for eligible projects that can offset costs incurred by companies during their training processes. Each project is evaluated based on its economic impact to the state and the training needs of the company. Services typically are handled on a cash reimbursement basis, with eligible expenses including hourly trainer costs, travel expenses, hotel costs, etc.

Tennessee Job Skills Program

The Tennessee Job Skills Program is a program introduced in 2001 that provides grants for employee training for existing and expanding firms in Tennessee. Approximately 70 percent of the grant funds are designated for existing Tennessee firms that have training needs to improve the skills of their workforces. Grants are available to manufacturing, technology-based or high-growth companies.

Tennessee Department of Employment Security

The Tennessee Department of Employment Security maintains a database and matching service for the largest pool of job seekers in Tennessee. The files include recently displaced workers and applicants seeking to make job changes. Employment Security can offer a range of services to companies expanding or relocating into Tennessee, including prescreening of applicants, pretesting of applicants and assistance with provision of labor market and wage data. All services are provided at no cost to the company or to the job seeker.

Tennessee Valley Authority Loan Fund

The Tennessee Valley authority offers a federal economic development loan program to assist businesses in financing industrial development projects, including new industrial plants, existing industry expansions, infrastructure development and assistance to services industries. A low interest loan of up to \$2 million per project is available with a repayment timeframe of up to 10 years.

TVA Incentives

As a potential employer in the Tennessee Valley, your company could be eligible for several programs that can benefit your company's operations, electric service, operating costs, and bottom line. Brief descriptions and potential benefits from the programs are as follows:

The Valley Advantage

Through the Valley Advantage initiative, TVA makes direct, cash investments in major economic development projects in the Tennessee Valley. Valley Advantage funding for any project is based upon the economic impact of the project, as measured by the capital investment, number of jobs created, and amount of new power demand that is created within the first three years of the project. The program will only be used for projects determined to be environmentally sound. The program's minimum requirements are listed below:

| | |
|---------------------|-----------------------------|
| Capital investment: | \$20 million |
| Employment: | 100 new jobs |
| Power demand: | 500 kilowatts |
| Wages: | 10% above the local average |

Valley Advantage funds can be used for a variety of purposes including electrical infrastructure, building improvements, manufacturing equipment, and other needs. Grant amounts are determined based upon the commitments by the company toward the program requirements.

Enhanced Growth Credit (EGC)

The Enhanced Growth Credit program provides credits on power bills to new or expanding industrial companies that create new, firm electrical demand of 100 kW or more. Customers may choose one of the following EGC options:

- Four-year “flat rate” option – allows a monthly \$6 credit per kW for the life of the credit.
- Eight-year “declining rate” option – allows a monthly \$6 credit per kW in the first year; monthly credit is reduced by \$0.75 per kW in each subsequent year.

The credit amounts will vary based upon each month’s actual demand, and there is no maximum credit amount. For expansions a demand baseline will be set at the highest demand over the previous twelve months. Benefits of the EGC accrue on qualifying load above that demand. A table of potential savings scenarios is as follows:

| New Firm MW Demand | Four Year Option Savings | Eight Year Option Savings |
|--------------------|--------------------------|---------------------------|
| 500 kW | \$144,000 | \$162,000 |
| 1 MW | \$288,000 | \$324,000 |
| 5 MW | \$1,440,000 | \$1,620,000 |
| 10 MW | \$2,880,000 | \$3,240,000 |

Small Manufacturing Credit (SMC)

Companies whose monthly demand falls between 1,000 and 5,000 kW and SIC code is between 20 and 39, will qualify to receive the substantial benefits of the Small Manufacturing Credit Program. These credits are offered by TVA and the local power distributor to assist new and expanded businesses. The credit is available under Part 3 of the GSA or TGSA rate schedules. In any month when the metered demand for firm power exceeds 1,000 kW, a credit is applied to each kW of metered demand used in determining the firm billing and each kWh of firm energy. The monthly credit is equal to the sum of:

- \$1.38 per kW for the first 1,000 kW of metered demand
- \$1.63 per kW of any metered demand amount in excess of 1,000 kW, and
- \$0.0054 per kWh of firm energy (0.54 cents/kWh)

Economic Development Loan Fund (EDLF)

A multi-million dollar, low-interest loan program that may be used for the purchase of fixed assets (land, building or production equipment) or other needs. Loan amounts, terms and interest rates are dependent upon criteria such as number of jobs created, total capital investment, security provided, and impact on the community. All loans are subject to a financial and eligibility review.

- Loan amounts are determined based upon job growth and project needs.
- Interest rates vary by project, but are typically below the prime lending rate.
- Loan terms for equipment loans may be up to 7 years, while building and real estate loans may be up to 10 years.

- Leveraging other funds is TVA's role as a lender, and we are seeking to leverage \$3 to every \$1 invested through the EDLF program.
- No loan will exceed \$2 million.

Enhanced Security Deposit Program

The Tennessee Valley Enhanced Security Deposit Program is available to commercial and industrial electric customers through a partnership between TVA and participating distributors of TVA power. The program allows the waiver or refund of electric utility deposits to qualifying customer. The process is simple, quick, and free.

- The program is open to creditworthy commercial and industrial customers with an average monthly billing of greater than 50 kW.
- Local electric power distributor representatives work with selected business customers to prepare a credit application, which is sent to a third party underwriter for review.
- Upon approval, your distributor will waive or refund the electric utility deposit

Local Incentives

Payment in Lieu of Tax (PILOT)

Projects involving a large capital investment and large numbers of new jobs may qualify for a property tax freeze or reduction (property in lieu of tax agreement) in some of the counties of the 10-county Nashville economic market. These requests are considered on a case-by-case basis by city and county officials and are based on an analysis of job creation, economic impact, capital investment and wage rates.

Industrial Revenue Bonds

Each of the 10 counties in the Nashville economic market has an active industrial development board authorized to issue bonds to finance industrial facilities. Tax-exempt industrial development bonds are available for qualified manufacturing operations. The financial strength of the company, at the time the bonds are taken to market, will determine the rate of the bonds. There is a \$10 million cap on small issue bonds; however, there are a number of categories of projects that may be exempted from this limitation. Under the IRB board's jurisdiction, taxable bonds can be issued and loaned to eligible companies to acquire land, buildings, or equipment. It is our suggestion that the firm's private bond council communicate with the IRB board's legal council in order to identify the appropriateness of this financing alternative.

Fast Track Permitting & One-Stop Business Assistance

The Mayor's Office of Economic Development was created specifically to assist new and existing companies in their interaction with local, state and federal governmental agencies. The One-Stop Business Assistance Program provides a streamlined structure to access representatives of all applicable local, state and federal agencies in one meeting to outline services, answer questions, fulfill requests and solve problems. The One-Stop Business Assistance Program is designed to facilitate and expedite the permitting, licensing and regulatory processes within the Metropolitan Government. Fast track permitting and one-stop assistance are available in all 10 counties of the Nashville economic market.

Commercial Real Estate Database

The Nashville Chamber economic development staff has access to comprehensive on-line databases of all available industrial buildings, office buildings and greenfield sites in the 10-county Nashville economic market. The resource is available to relocating and expanding firms. Call (615) 743-3025 for more information.

Foreign Trade Zones

The Nashville economic market currently has three general-purpose foreign trade zones and a number of subzones designated for specific company usages. A foreign trade zone provides flexibility and cost

savings to importers and exporters. Goods can be stored, processed, manipulated and integrated with domestic goods, all before paying duties.

Tax Increment Financing (New CBD-Nashville Construction)

Tax Increment Financing (TIF) allows the cost of infrastructure and the costs of assembly, relocation, demolition and development of a site within a designated redevelopment district to be financed through future increases in property taxes generated by the development itself. As private investments add to the tax base, the increased revenues are placed in a special fund with the revenues then funneled back into the project. Tax increment financing funds can amount to a substantial reduction in overall project development costs and can make available for reinvestment approximately 10 percent of an eligible project's total development costs.

JobsLink On-Line Recruiting Tool

The Nashville Chamber of Commerce operates JobsLink, an Internet job bank that is actively marketed within the Nashville economic market and in selected U.S. markets to potential relocation employees. Firms that relocate an operation to the Nashville economic market are offered unlimited use of this resource for their first month of operations to post employment opportunities.

Relocation Assistance

The Nashville Area Chamber of Commerce is committed to providing hands-on services to firms that are relocating employees from other bases of operations. These services may include organized trips to existing locations for briefings and seminars, a range of information on the region to educate potential relocating families about Nashville living, and on-site Nashville tours or events for potential relocating employees who are given the opportunity to visit Nashville prior to making the relocation decision.