

INCENTIVES, WORKFORCE PROGRAMS & FINANCING



BISMARCK  MANDAN
MAKE YOUR MARK



BISMARCK MANDAN
DEVELOPMENT ASSOCIATION

INCENTIVES,
WORKFORCE PROGRAMS
& FINANCING

THIS DOCUMENT REVIEWED WITH:

NAME

/ /

DATE

COMPANY NAME

LOCATION

FINANCIAL REPRESENTATIVE

Upon review, your advisor will check the programs and funds that best apply to your needs and supply notes and action items to streamline the process.

INCENTIVES,
WORKFORCE PROGRAMS
& FINANCING

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Most of North Dakota’s economic development tools and incentives are targeted toward primary sector businesses. Legislation for several of these incentives specifies that a business must be certified as a primary sector business by the Economic Development & Finance Division of the ND Department of Commerce. Certification does not guarantee receipt of any incentive, but being certified as a primary sector business can be an important first step in the process.

“Primary sector business” means an individual, corporation, limited liability company, partnership or association which, through the employment of knowledge or labor, adds value to a product, process or service that results in the creation of new wealth. Primary sector businesses typically include manufacturing, value-added ag/food processing and technology-based services where a vast majority of revenue is generated from clients outside North Dakota. The term may include some back office, corporate headquarters and tourism, but does not include production agriculture.

TAX INCENTIVES

- Corporate Income Tax Exemption
- Property Tax Exemption
- Sales & Use Tax Exemption
- Seed Capital Tax Credit
- Angel Investor Credit

CORPORATE INCOME TAX EXEMPTION

Newly established primary sector businesses, or expansions of existing primary sector businesses, are eligible for an exemption up to five years from North Dakota state corporate income taxes. For business expansion, the exemption applies to the increase in corporate income attributable to the expansion project and related to North Dakota revenues.

PROPERTY TAX EXEMPTION

A qualifying project may receive a complete or partial exemption from ad valorem taxation for up to five years on new or existing buildings or structures used in the project. Land is not exempt.

As an alternative to the complete or partial five-year property tax exemption, a qualifying project can negotiate a Payment in Lieu of Taxes (PILOT) for up to 20 years or create a Tax Increment Finance (TIF) district which can reduce property taxes incurred or provide an alternative to costs for infrastructure to or near a project site.

SALES & USE TAX EXEMPTION

North Dakota provides sales tax exemptions for equipment and materials used in manufacturing and other targeted industries. A new or expanding plant may be exempt from sales and use tax on purchases of machinery or equipment used for manufacturing, ag commodity processing or recycling.

An expanding primary sector business may also be eligible for an exemption for purchases of computer and telecommunications equipment that is an integral part of the business. The exemption does not extend to the purchase of replacement equipment.

Other exemptions narrower in scope are also available including the construction of ag processing or energy generating facilities, as well as coal mine and biodiesel fuel equipment.

ITEMS AND INFO THAT WILL SPEED THE PROCESS:

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SEED CAPITAL TAX CREDIT

An individual, estate, trust, partnership, corporation or limited liability company is allowed an income tax credit for investing in a primary sector business. The credit is equal to 45% of an investment with no more than \$112,500 of credits allowed in any taxable year. The unused credit may be carried forward for up to four years.

Only the first \$500,000 of eligible investments in a certified business are eligible for the tax credit. The total amount of tax credits allowed for investments made in all certified businesses in any calendar year is limited to \$3.5 million.

ANGEL INVESTOR CREDIT

An individual, estate, trust, partnership, corporation or limited liability company is allowed an income tax credit for investing in an angel fund in North Dakota. The credit is equal to the member's contribution to the total amount invested by the angel fund multiplied by the applicable credit rate. The credit rate is 35% for an in-state qualified business and 25% for an out-of-state business, up to a maximum credit of \$45,000 per tax year. At least 50% of qualified investments must be made in in-state qualified businesses.

An unused credit may be carried forward for up to five tax years. An angel investor is allowed no more than \$500,000 of credits under the program.

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WORKFORCE PROGRAMS

- Operation Intern
- Workforce Recruitment Credit
- North Dakota New Jobs Training Grant
- Workforce 20/20 Program

OPERATION INTERN

A primary sector business that employs interns is eligible for matching funds of up to \$30,000 per legislative biennium. A match of up to \$3,000 per intern is available. Employers must select student interns that are:

- Enrolled in a North Dakota college or university and taking at least six credits during the internship or in the semester prior to the internship;
- A high school junior or senior; or
- A student enrolled in a registered apprenticeship program

A company may request to hire a student attending an institution that closely borders North Dakota if the company demonstrates the need for additional candidates.

WORKFORCE RECRUITMENT CREDIT

A business that employs extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota is eligible for a credit equal to five percent of the compensation paid during the first 12 consecutive months to that employee. The credit is allowed in the first year following the year in which the employee completes the 12-consecutive-month employment period.

To be eligible for the credit the employer must pay an annual salary that is at least 125% of North Dakota's average wage and must have employed all of the following recruitment methods for at least six months to fill a position for which the credit is claimed: contracted with a professional recruiter for a fee; advertised in a professional trade journal, magazine or other publication directed at a particular trade or profession; provided employment information on a website for a fee; paid a signing bonus, moving expense or atypical fringe benefits. In addition, if an employer claims the credit, an employee hired in a hard-to-fill position is allowed a deduction for a signing bonus, moving expenses or atypical fringe benefits paid by the employer.

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☐ NORTH DAKOTA NEW JOBS TRAINING GRANT

The North Dakota New Jobs Training Program captures the North Dakota state income tax withholding generated from individuals filling new job positions, identified in a New Jobs Training Agreement, for up to a ten-year period starting from the effective date of the Agreement. The program offers a cash grant, in the form of a refund of the employer's portion of an employee's state income tax withholding, to primary sector businesses located or expanding in North Dakota. The refund is based on the number of jobs created and salaries of these jobs, and is projected over a period of 10 years. Funds are distributed on a quarterly basis. The contract can be updated to accommodate new hires above and beyond those in the initial contract. This program is easy to use and popular among companies in the state.

☐ WORKFORCE 20/20 PROGRAM – \$450 PER EMPLOYEE

This program provides matching grants to assist qualified North Dakota employers in training or upgrading their employees' skills. Qualified employers are those that are either:

- 1) new to the state,
- 2) expanding existing operations in the state, or
- 3) introducing new industry technologies or production methods.

Application to the state, and its approval, must be completed before the training commences.

ITEMS AND INFO THAT WILL SPEED THE PROCESS:

BMDA will work with companies on these two initial key steps of the New Jobs Training Program.

1. Complete the New Jobs Training Worksheet to establish the eligibility date. Any jobs filled before this date are not eligible for the refund grant.

2. Complete the Primary Sector Certification Application, if not currently certified.

NOTES:

FINANCING

- North Dakota Development Fund Programs
- Bank of North Dakota Programs
- Angel & Venture Funding
- Bismarck Vision Fund
- Mandan Growth Fund
- North Dakota Opportunity Fund

NORTH DAKOTA DEVELOPMENT FUND PROGRAMS

The North Dakota Development Fund, part of the North Dakota Department of Commerce, provides flexible gap financing for new or expanding primary sector businesses in the state.

	NORTH DAKOTA DEVELOPMENT FUND/RURAL REVOLVING LOAN FUND	NEW VENTURE CAPITAL PROGRAM
BORROWER	Any primary sector business	Any primary sector business
FUNDING LIMIT	Up to \$1,000,000 and based on job requirement	Up to \$300,000
INTEREST RATE	Lower than market rate - subject to risk of project	Lower than market rate - subject to risk of project
TERM	Working capital: 1-5 years Equipment: 5-7 years Real estate: 10-15 years	Working capital: 1-5 years Equipment: 5-7 years Real estate: 10-15 years
MIN. EQUITY	15%	15%
CORP./PERS. GUARANTEE	Yes	Yes
QUALIFICATIONS	A North Dakota business	A North Dakota business
COST AND FEES	1% of original loan or equity balance	1% of original loan or equity balance
MISCELLANEOUS	Development Fund: for businesses located in cities with a pop. of 8,000 or more: job creation requirement of \$40,000 per FTE created Rural Fund: for businesses located in cities with a pop. of less than 8,000. Job creation requirement of \$50,000 per FTE created Equity financing available	Does not have a job creation requirement Equity financing available

BANK OF NORTH DAKOTA PROGRAMS

The Bank of North Dakota (BND) is the only state-run bank in the United States. Its commercial lending program serves the credit needs of the state and are made on a sound and collectible basis. All business loans are made in participation with a lead lender. The lead lender completes and submits an application requesting BND's participation.

	BUSINESS DEVELOPMENT LOAN	PACE & FLEX PACE	BEGINNING ENTREPRENEUR LOAN GUARANTEE	MATCH
BORROWER	Any ND business	Primary sector business	ND resident with net worth below \$500,000 with training or experience in enterprise in which loan is sought	Primary sector business
FUNDING LIMIT	\$1,000,000	Up to BND lending limit	Up to \$500,000 with varying guaranty percentages	Up to BND lending limit
BND PARTICIPATION REQUIREMENTS	Lead lender required – averages 50%-70% of total loan	Lead lender required – averages 50%-80% of total loan	Any lending institution related or funded under the laws of ND or the US	Lead lender required
USE OF PROCEEDS	Acquisition of new or existing business, working capital, equipment, real property, refinancing	Term working capital, equipment, real property	Working capital, real property, equipment or personal property, business start-up expenses including child care facility; refinance or consolidate debt	Term working capital, real estate, equipment
INTEREST RATE	Variable rate: Prime less 0.50% or Fixed rate: comparable FHLB rate plus 2.25%	5% below yield rate and not less than 5% below Prime with a floor of 1%	Acceptable lender charged rate	BND's share – equal terms US Treasury Note rate plus 0.25% with a 2% floor. May be adjusted periodically
TERMS	Working capital: 1-5 years Equipment: 5-7 years Real estate: 12-20 years	Working capital: 1-5 years Equipment: 5-7 years Real estate: up to 20 years	BND guaranty may not exceed 5 years	Working capital: 1-5 years Equipment: 5-7 years Real estate: up to 20 years
COLLATERAL	Shared first security interest on acceptable business assets	Shared first security interest on acceptable business assets	Negotiable	Shared first security interest on acceptable business assets
EQUITY REQUIREMENTS	Based on project and management	Based on project and management	Based on project and management	No minimums – based on project and management
PERSONAL GUARANTEE	Yes	Yes		Corporate guarantee from parent if borrower is a subsidiary
CREDIT CRITERIA	Based on borrower and project	Based on borrower and project	Established by lead lender	Borrower must have a long-term investment grade rating of "A" or acceptable alternative
COST AND FEES	Origination fee of up to 1% may be charged and shared with BND	\$250 BND fee, \$350 community fee	0.5% per year on a commitment of less than 5 years or a one-time fee of 2% on the guaranteed portion of a 5-year commitment	Origination fee of up to 1% may be charged and shared with BND

☐ ANGEL & VENTURE FUNDING

Whether through the North Dakota Development Fund, New Venture Capital Program or other local and regional angel investors and venture capitalists, a growing business has options to explore with equity funding. With an available state income tax credit of 25% - 35% for Angel Fund investments, some of the risk to investors is mitigated. For more information, please visit bmda.org or contact our office at 701.222.5530.

☐ BISMARCK VISION FUND

The Bismarck Vision Fund is a city-sales-tax-supported fund that provides assistance to businesses that wish to relocate to or expand in Bismarck. The Vision Fund can offer a flexible assortment of financing opportunities, such as interest buy downs, reduced interest loans, equity positions and other individually tailored financial incentives and exemptions.

☐ MANDAN GROWTH FUND

In 1991, Mandan voters approved a portion of the 1% city sales tax for job and economic development. The fund established for this purpose is the Mandan Growth Fund. The Growth Fund committee considers applications for assistance and incentives with a focus on developing employment within the area, expanding the local tax base, increasing capital investment and improving the entrepreneurial climate. The committee provides recommendations to the Mandan City Commission for final consideration. Applications must generally be approved prior to construction, building occupancy or the start of business operations, depending upon the program.

☐ NORTH DAKOTA OPPORTUNITY FUND

The North Dakota Opportunity Fund is a loan participation program developed from the State Small Business Credit Initiative, which was created by the Small Business Jobs Act of 2010. The program offers rates ranging from 4% to market rate. Eligible uses include construction, equipment, term working capital, real estate and interim SBA 504 loans. Loan proceeds will not exceed \$1 million and must not exceed more than 50% of the proposed project costs. This fund is typically used as a gap financing tool to lower the borrower equity portion and/or the lead lender's total loan exposure. The program is administered by the Lewis & Clark Regional Development Council.

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bmda.org

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