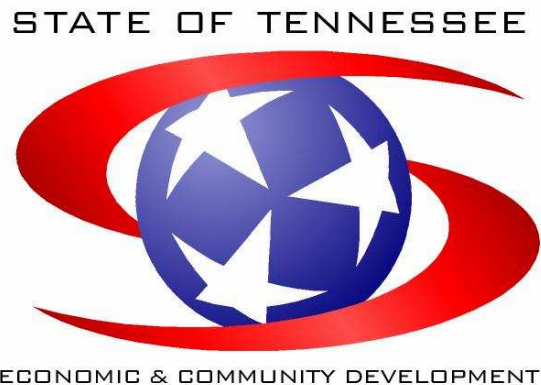


Economic Development Incentives 2007/08

Warehouse & Distribution



**For More Information, Please Contact the ECD
Business Development Office**

**Phone - 615.741.3282
Fax – 615.741.5829
Internet – www.tnecd.gov**



Tennessee Taxes & Incentives

Qualified, new or expanded warehouse and distribution facility* - means a new or expanded facility, which meets the requirements set out in 67-6-102(39) (H) & (I) (summarized below) for the storage or distribution of finished tangible personal property. Such facilities shall not include a building where tangible personal property is fabricated, processed, assembled, or sold over-the-counter to consumers.

Requirements to qualify as a Warehouse or Distribution Facility

- A capital investment in excess of \$10 million over a period not exceeding three (3) years, in a newly constructed or previously unoccupied building and/or equipment for the facility;
OR
- An expansion to a previously qualifying existing warehouse or distribution facility through an additional investment in excess of \$10 million over an additional period not exceeding three (3) years, for additions to the building and the purchase of new equipment for use in the expanded facility.

Franchise Tax

- Tax on the greater of apportioned net worth or book value of property owned or used in Tennessee
- Tax rate is 25 cents per \$100

Incentives

- Finished goods inventory in excess of \$30 million may be excluded
- Property under construction and not being utilized is not included
- Property rented from the industrial development corporation may be valued by capitalizing it on the books

Excise Tax

- Tax is based on the net earnings of the company derived from the business in Tennessee
- Tax rate is 6.5%

Incentives

- All capital losses claimed in the year incurred
- Industrial Machinery credit available as detailed below.
- Net operating losses can be carried forward for fifteen (15) years
- Three factor, double weighted sales apportionment formula
- Tennessee does not have the throwback provision

* All Tennessee tax and tax-based incentive information herein is intended for informational purposes only. For more specific information on whether a facility qualifies as a Warehouse or Distribution Facility for purposes of specific tax incentives please contact your ECD Business Development Specialist.



Tennessee Taxes & Incentives

Job Tax Credit

- \$2,000 per job or \$4,500 per job in Tier 1, Tier 2 and Tier 3 Economically Distressed counties¹
- Applied to both Franchise and Excise Tax
- Must create 25 jobs and increase capital investment by \$500,000 in a qualified business enterprise within a fiscal year
- May be carried forward fifteen (15) years
- The percentage of liability offset from 33 1/3 to 100% for employment ranging from 25 to 5,000 or more in the state of Tennessee.

Percentage of Total Franchise and/or Excise Tax Liability Offset by JTC	Total Number of Tennessee Full-Time Employees at the End of the Fiscal Year
33 1/3%	Less than 1,000
50%	1,000 or more but less than 3,000
75%	3,000 or more but less than 5,000
100%	5,000 or more

- A business plan² must be filed on or before the last day of the fiscal year in which the investment is made and must describe the investment made, the number of jobs the investment will create, and the expected dates the jobs will be filled. Tenn. Code Ann. § 67-4-2109(c)(2)(D).

Enhanced Job Tax Credit for Tier 2 and Tier 3 Economically Distressed Counties

Tennessee recently enacted new legislation that allows for an additional tiered Job Tax Credit. This credit had been created to promote new industry locations and expansions in the more rural areas of the state. The tiers are based on each Tennessee counties' per capita income, unemployment, and poverty level. Analysis has been performed determining each Tennessee counties' tiered status. Projects which locate in a Tier 2 or Tier 3 county will be eligible for this additional credit.

- Must create 25 jobs and increase capital investment by \$500,000 in a qualified business enterprise within a fiscal year.
- In addition to the regular Job Tax Credit of \$4,500 per job per year for fifteen (15) years as set forth above, an annual job tax credit of \$4,500 per job is allowed to offset 100% of Franchise and Excise Tax for:
- Three (3) years for Tier 2 counties – credit is taken annually for a three (3) year period with no carry forward.
- Five (5) years for Tier 3 counties – credit is taken annually for a five (5) year period with no carry forward

¹ Tier 2 and Tier 3 counties have additional job-based incentives as detailed below.

² For information on how to obtain the appropriate Job Tax Credit Business Plan forms please contact your local ECD Business Development Specialist.



Tennessee Taxes & Incentives

Super Job Tax Credit

Tennessee recently enacted legislation that provides a job tax super credit (“super credit”) for taxpayers investing in excess of \$100 million in a qualified project creating 100 or more jobs paying at least 100% of the average occupational wage in the state.³ This super credit may be used to offset up to 100% of a taxpayer’s Tennessee franchise and excise tax liability annually beginning with the first tax year after the investment and job creation thresholds have been met. The super credit is taken annually and does not have a carry forward provision.

- The super credit is in addition to the regular job tax credit which will still have the fifteen-year carry forward and normal percentage of offset. The only difference is by qualifying for the super credit, the amount of the regular job tax credit is \$5,000 a job instead of the standard \$2,000 or \$4,500 per job.
- In addition, the super credit allows for the offset of total liability to be up to 100% during the time when the super credit is being taken on an annual basis.
- In addition, the super credit allows for a 2/3 reduction of the required capital investment made during the investment period on Schedule G of the franchise and excise tax return.
- The super credit investment period is three (3) years, but can be expanded to 5 years with the approval of the Commissioner of ECD.
- Capital investment in excess of \$100 million, creating at least 100 net new average occupational wage jobs: \$5,000 per job per year for three (3) years
- Capital investment over \$250 million, creating at least 250 net new average occupational wage jobs: \$5,000 per job per job per year for six (6) years
- Capital investment over \$500 million, creating at least 500 net new average occupational wage jobs: \$5,000 per job per year for twelve (12) years
- Capital investment over \$1 billion, creating at least 1,000 net new average occupational wage jobs: \$5,000 per job per year for twenty (20) years

Property Tax

- No state property tax

³ The current Average Occupational Wage data can be found on the website for the Tennessee Department of Labor and Workforce Development - www.state.tn.us/labor-wfd/wages/intro.htm
Revised November 2, 2007



Tennessee Taxes & Incentives

Industrial Machinery Credit for Warehouse and Distribution Facilities

An industrial machinery tax credit of 1% to 10% of the cost of industrial machinery purchased or leased during the tax year and located in Tennessee may be used to offset up to 50% of the total franchise and excise tax liability. Tenn. Code Ann. § 67-4-2009(4)(A). Any unused credit may be carried forward for up to fifteen (15) years.

The credit is for the purchase of material handling equipment and racking systems purchased for a qualified new or expanded warehouse or distribution facilities as defined in Tenn. Code Ann. 67-6-102(39)(H)(i). Industrial machinery includes computer equipment and software, including peripheral devices such as printers, external drives, modems and telephone units. For purposes of the 1% credit, the equipment must have been purchased in making the required capital investment for the job tax credit.

Capital Investment	Percentage of Credit	Must File A Business Plan
Less than \$100,000,000	1%	No
\$100,000,000	3%	Yes
\$250,000,000	5%	Yes
\$500,000,000	7%	Yes
\$1,000,000,000	10%	Yes

Sales and Use Tax

No sales tax on the purchase of material handling and racking systems for warehouse and distribution facilities meeting the requirements set forth in 67-6-102(39)(H) & (I).⁴

- A required capital investment of \$10 million
- The investment period not to exceed three (3) years
- Taxpayer must submit an application for the sales and use tax exemption with a plan describing the investment to be made with the Department of Revenue.⁵

Additional Tax Credit

Day Care Credit

- Applies to both Franchise and Excise Tax
- 25% of the cost of a day care facility not to exceed \$25,000 per facility.

⁴ Equipment must be directly and primarily used for the storage or handling and movement of tangible personal property in a qualified new or expanded warehouse or distribution facility. Equipment must be purchased beginning one (1) year prior to the start of the construction or expansion and ending one (1) year after the substantial completion of the construction or expansion of the facility, but in no event shall the period exceed three (3) years. Tenn. Code Ann. § 39(H)(i).

⁵ An application for the exemption can be found on the Department of Revenue's website or by contacting your ECD Business Development Specialist. Upon approval of the exemption request and plan for investment, purchases of the equipment may be made without payment of the sales or use tax.



Tennessee Taxes & Incentives

FastTrack Job Training Assistance Program (FJTAP)

The FastTrack Job Training Assistance Program is the division of the Department of Economic and Community Development that focuses on the employment needs of new and existing businesses.

The FastTrack Job Training Assistance Program is Tennessee's initiative to support industrial recruitment and expansion through direct training assistance for new employees. FJTAP staff assists each individual company to develop customized training plans and to provide funding for components of that training. Eligibility for FJTAP support and levels of funding for training assistance are determined by:

- The amount of company investment
- The number of new hires and average hourly wage
- The types of skills and knowledge that must be obtained by prospective or newly hired employees

Preemployment

- Instruction is designed to focus on developing basic skills in new employees. The program promotes the development of basic skills and allows the company to observe participants for improved employee placement.

Job Specific Training *(Training assistance is targeted to production/technician level individuals.)*

- Classroom - formal instruction relating to specific skills presented in a classroom environment
- On-the-Job Training - instruction that focuses on the development of specific skills and knowledge vital to production. Training is provided by company technicians or instructors mutually acceptable to the FastTrack Job Training Assistance Program (formerly the Industrial Training Service) and the company. Training may take place in the classroom or at the company site.
- Vendor or manufacturer of actual manufacturing or service equipment being used by the client may be utilized to deliver specific skills training.
- System Support - instruction associated with plant-wide applications. Instruction may include new methods for increasing mechanization, quality, materials handling, etc.
- Development and Coordination – supports the cost associated with the development of instructional materials and coordination of the overall training program.

Travel

- Supporting the expense of travel for the purpose of training can be considered as a viable option for the training of new hires and especially for persons who will serve as a company instructor.

Employee Recruitment and Screening

The Tennessee Department of Labor and Workforce Development, Job Service Division, will provide recruitment and screening services. Utilizing the client/company's prepared job specifications, Job Service will recruit the number of persons requested by the company. The persons will be screened using the company's specifications. Those persons meeting the specifications will be referred to the company for employment considerations.



Tennessee Taxes & Incentives

Workforce Development

- Leadership Training - is directed toward providing supervisors, team leaders, and managers with the interpersonal skills necessary to motivate and lead production workers towards the accomplishment of organizational goals.
- Team Training - is provided for manufacturing/production employees where interpersonal communication is important in fostering interdependence, cooperation, commitment, motivation, etc.
- Instructor Certification - Certification of company personnel insures the availability of certified instructors not only at startup but also on a long term basis. The weeklong certification seminar provides candidates with the facilitation skills necessary to deliver a wide range of programs.

FastTrack Infrastructure Development Program (FIDP)

Tennessee has a state funded program called the FastTrack Infrastructure Development Program. Under the guidelines of this program the state can make grants to local governments to help them meet the infrastructure requirements for locating and expanding industries as well as address the training needs of a corporation.

Project funding is determined by evaluating each project in terms of capital investment, new jobs created, and the community in which the project locates. Once a targeted funding amount is established, final approval is subject to FIDP funding appropriated by the Tennessee General Assembly and approval by the Department of Economic and Community Development's Loan & Grant Review Committee. There is an application process, and there are state regulations that apply relative to bidding procedures.

The maximum total FIDP/FJTAP (FastTrack Job Training Assistance Program) grant for any project in any community is \$750,000. This means that the combination of training, site preparation, and all infrastructure improvements together cannot exceed this amount. The amount of the grant that may be used for administration and for architect and engineering services will vary depending on the type of project. ECD will review these costs for reasonableness and may decrease excessive requests.

State Industrial Access Program (SIAP)

Other state assistance can be considered for providing needed transportation improvement for the project. Through the State Industrial Access Program (SIAP), local governments submit their requests on behalf of new industry moving into their communities, which the Department of Transportation reviews to determine the most feasible design.

Industrial Revenue Bond Financing

Industrial revenue bond financing is available in Tennessee for both taxable and tax-free situations.