

DEVELOPMENT ASSISTANCE PROGRAMS



Locating a business in West Virginia makes good business sense. It is the reason more than \$20 billion worth of new business investments have been made in the state's economy since 2005, including more than \$6.2 billion since 2010 under the administration of Governor Earl Ray Tomblin.

West Virginia closed its 2012 fiscal year with a surplus of roughly \$90 million; the seventh year in a row with a surplus – without a tax increase. The state has also removed approximately \$126 million of business tax burden in FY 2012 and over \$450 million during the past six years.

West Virginia's highest priority is meeting your company's needs by providing aggressive development assistance in the form of tax credits and financing programs. This development assistance can reduce startup and operating costs and provide for enhanced productivity.

The West Virginia Development Office also provides research and technical support including competitiveness studies, analysis and a variety of data that will lead to job creation and retention, and to community improvement.

West Virginia provides access to:

- A business-friendly climate and a productive, skilled workforce
- Available state and federal workforce training resources
- A cost of doing business that is 14 percent lower than the U.S. average
- Utility rates among the lowest in the nation
- A strategic location within an eight-hour drive to more than half the U.S. population and more than one-third of the Canadian market
- High quality of life, low cost of living and unparalleled outdoor recreational activities

FINANCIAL ASSISTANCE

Direct Loan Programs

The West Virginia Economic Development Authority can provide up to 45 percent in financing fixed assets by providing low-interest, direct loans to expanding state businesses and firms locating in West Virginia. Loan term is generally 15 years for real estate intensive projects and five to 10 years for equipment projects. Loan proceeds may be used for the acquisition of land, buildings and equipment. Working capital loans and the refinancing of existing debt are not eligible.

Indirect Loans

The West Virginia Economic Development Authority provides a loan insurance program through participating commercial banks to assist firms that cannot obtain conventional bank financing. This program insures up to 80 percent of a bank loan for a maximum loan term of four years. Loan proceeds may be used for any business purpose except the refinancing of existing debt.

Industrial Revenue Bonds

This program provides for customized financing through federal tax-exempt industrial revenue bonds. Of the state's bond allocation, \$59,757,600 is reserved for small manufacturing projects; \$17,073,600 for qualifying projects in Enterprise Communities, and \$93,904,800 for exempt facility projects.

West Virginia Infrastructure and Jobs Development Council

The fund can be used for financial assistance to public utilities, county development authorities and private companies for infrastructure improvements to support economic development projects.

Linked Deposit Loan Program

The program allows small, for-profit state employers with 50 or fewer employees and gross annual receipts of \$5 million or less to apply for a linked deposit loan with an interest rate of 1 percent above published New York Prime, up to \$250,000.

Venture Capital

West Virginia Capital Company Act

The West Virginia Economic Development Authority administers a program that provides for debt and equity venture capital investment to small business. A number of firms are qualified in West Virginia to make venture capital investments and their contact information may be found at www.wveda.org.

West Virginia Jobs Investment Trust (JIT) is a public venture capital fund created to develop, promote and expand West Virginia's economy. The program makes investment funds available to eligible businesses, thus stimulating economic growth and providing or retaining jobs within the state.

BUSINESS ASSISTANCE

Corporate Headquarters Credit

Companies that relocate their corporate headquarters to West Virginia are eligible for tax credits if 15 new jobs (including relocated employees) are created within the first year. The credit can offset up to 100 percent of the tax liability for business and occupation tax, business franchise tax, corporate net income tax, and personal income tax on certain pass through income, for a period of up to 13 years.

Economic Opportunity Credit

For qualified companies that create at least 20 new jobs within specified time limits (10 jobs in the case of qualified small business) as a result of their business expansion project, the State's Economic Opportunity Tax Credit can offset up to 80 percent of specified business taxes for a period of up to 13 years. If a qualified company that creates the requisite number of jobs pays an annual median wage higher than the statewide average non-farm payroll wage, then the qualified company can offset up to 100 percent of the specified taxes for up to 13 years.

For qualified businesses creating less than 20 new jobs within specified time limits, or for a qualified small business creating less than 10 new jobs, a \$3,000 credit is allowed per new full time job for five years, providing the new job pays at least \$32,000 per year and the employee has employer-provided health insurance benefits. The \$32,000 figure is adjusted annually for cost-of-living.

"Five-For-Ten" Program

The program provides a special valuation for manufacturing property to businesses that make qualified capital improvements of at least \$50 million to an existing base of \$100 million or more, or in the case of natural gas liquid extraction, to qualified improvements of at least \$10 million to an existing base of \$20 million. It values the new capital addition at a salvage value of 5 percent for the first 10 years. Calculation: $((5\% \times \text{Cost of the Property}) \times 60\%) \times \text{Rate} = \text{Tax}$.

"Five For Ten" Program -- Fractionating Plants and Secondary Plants

Special property tax valuation applies for 10 years to real property (excluding the value of unimproved land) and personal property of facilities that are or will be classified under the North American Industry Classification System (NAICS) with the six digit code number 211112 (natural gas liquid extraction "fractionating" plants) and to manufacturing facilities that use products produced at a facility with a 211112 NAICS code. The special property tax valuation applies to qualified capital additions of more than \$10 million made to pre-existing manufacturing facilities that have a value in place before the capital addition of more than \$20 million. The special property tax valuation is 5 percent of the cost of the qualified property instead of fair market value.

In the absence of a pre-existing manufacturing facility owned or operated by the person making the capital addition, multiple party projects may be established to meet the \$20 million pre-existing investment requirement.

“Five For Twenty-five” Program -- \$2 Billion Primary (Fractionating) Plants, Secondary Plants And Tertiary Plants

Special property tax valuation applies for a period of 25 years to real property (excluding the value of unimproved land) and personal property having a combined original cost of which exceeds \$2 billion to be constructed, located or installed at a facility, or a combination of facilities by a single entity or combination of entities engaged in a unitary business that:

- (1) Is or will be classified under the North American Industry Classification System with a six digit code number 211112 (a primary facility), and;
- (2) To manufacturing facilities that use one or more products produced at a facility with code number 211112 (secondary facilities) and;
- (3) To manufacturing facilities that use products produced at a secondary facility.

The special property tax valuation is 5 percent of the cost of the qualified property instead of fair market value.

Manufacturing Investment Credit

A tax credit is allowed against up to 60 percent of corporate net income tax and business franchise tax based on qualified investment in eligible manufacturing property, with no new job creation required.

Manufacturing Inventory Credit

Offsets the business franchise tax and corporate net income tax in the amount of property tax paid on raw materials, goods in process and finished goods manufacturing inventory.

Strategic R&D Credit

The Strategic Research and Development Tax Credit can offset up to 100 percent of corporate net income tax and business franchise tax, based on qualified expenditures for R&D projects.

Commercial Patent Incentives Credit

The Commercial Patent Incentives Tax Credit can offset up to 100 percent of the business franchise tax, corporation net income tax, or in the case of individual taxpayers, the personal income tax. The credit is based on a percentage of royalties, license fees and other consideration for developers of a patent or a percentage of net profit attributable to a patent used in a manufacturing process or product.

West Virginia Film Industry Investment Act

Up to 31 percent of direct production and post-production expenditures can be converted to transferable tax credits to offset state taxes. Also, purchases and rentals of tangible personal property and purchases of services (excluding gasoline or special fuel, food or beverages) directly used in the activity of manufacturing a motion picture, TV program, music video, or commercial are exempt from the consumers sales and service tax and use tax.

High-Tech Manufacturing Credit

Businesses that manufacture certain computers and peripheral equipment, electronic components or semi-conductors and which create at least 20 new jobs within one year after placement of qualified investment into service, can receive a tax credit to offset 100 percent of the business and occupation tax, business franchise tax, corporate net income tax, and personal income tax on certain pass through income for 20 consecutive years.

Aircraft Valuation

Aircraft owned or leased by commercial airlines, charter carriers, private carriers and private companies are valued for property tax purposes at the lower of fair market salvage value or 5 percent of the original cost of the property.

High-Technology Business Property Valuation Act

Tangible personal property, including servers, directly used in a high-technology business or in an internet advertising business is valued for property tax purposes at 5 percent of the original cost of the property. In addition, sales tax is eliminated from all purchases of prewritten computer software, computers, computer hardware, servers, building materials and tangible personal property, for direct use in a high-technology business or internet advertising business.

Manufacturing Sales Tax Exemption

Purchases of materials and equipment purchased for direct use in manufacturing are exempt from the 6 percent state sales and use tax, including building materials and process equipment purchased for construction of a manufacturing facility.

The Freeport Amendment

The Freeport Amendment exempts property from the West Virginia ad valorem property tax in two ways:

- (1) Manufactured products produced in West Virginia and stored in the state for a short time before moving into interstate commerce are exempt from property tax.
- (2) Goods transported into West Virginia from outside of the state, which are held for a short time in a warehouse and then shipped to a destination outside of West Virginia, are exempt from the property tax.

The exemption does not apply to inventories of raw materials or goods in process.

Special Rates of Electric Power for Industrial Consumers

The West Virginia Public Service Commission may establish special rates that in its judgment are necessary or appropriate for the continued, new or expanded operation of energy-intensive industrial consumers. In order to qualify for a special rate, an industrial facility, plant or enterprise is required to: enter into negotiations with the utility; have a contract demand of at least fifty thousand kilowatts of electric power at its West Virginia facilities under normal operating conditions; create or retain at least twenty-five full time jobs in the state; have invested not less than \$500,000 in fixed assets in the state; and provide reasonable evidence that without the special rate, the operation is threatened or not economically viable.

Research and Development Sales Tax Exemption

Purchases of tangible personal property and services directly used in research and development are exempt from the consumers' sales tax.

Sales Tax Exemption for Certain E-Commerce Businesses

Some computer-related sales of tangible personal property and services are exempt from the consumer sales and services tax.

Sales Tax Exemption for Certain Warehouse and Distribution Centers

Purchases of certain tangible personal property in qualified warehouse and distribution centers may be exempt from the consumers' sales and service tax.

Tax Increment Financing

Allows increases in property tax based on the improvement associated with qualified economic development and public improvement projects to assist with their long-term financing.

The Tourism Matching Advertising Partnership Program

In order to extend advertising resources for the promotion of tourism through partnerships, this program provides reimbursable matching funds for direct advertising. Business applicants and their partners must provide a minimum of 50 percent of the total cost for programs at the \$10,000 + level. For programs not exceeding \$7,500, business applicants must provide 25 percent of the total cost.

Lodging Exemptions

For lodging stays in excess of 30 consecutive days per person at the same facility, there is an exemption from the state Consumers Sales and Service Tax (6 percent) and exemption from the Local Hotel/Motel Tax (tax rate varies per region).

RECRUITING & TRAINING ASSISTANCE

Work Force Development Programs

WorkKeys® Career Readiness Certificates

The nationally-recognized WorkKeys® Career Readiness Certificates from WorkForce West Virginia aid in the process of matching qualified job seekers with jobs while assuring businesses that the State of West Virginia has a ready and skilled work force.

Governor's Guaranteed Work Force Program

This flexible, customized training program under the West Virginia Development Office, offers assistance to eligible companies and businesses by providing funding that directly supports the transfer of knowledge and skills. Companies must create a minimum of 10 net new jobs within a 12-month period.

The Workforce Investment Act (WIA) Program

This customized training program is available to employers that hire individuals that meet specific program requirements. The program targets job seekers that are either economically disadvantaged or displaced due to job shifting in the region.

West Virginia Advance Program

This flexible program offers customized job training awards to new and existing businesses. The program offers development and delivery of training services that will support a company's startup and ongoing employee development initiatives through a local Community and Technical College.

