



6. Incentives Assessment

Introduction

In New York State, leads from companies possibly seeking to locate in the state typically pass through Empire State Development Corporation (ESD), which funnels the leads to its regional offices across the state based upon the company's specifications. For example, a lead from a company seeking to locate within 150 miles of New York City would be forwarded from ESD's central office to the regional offices in Long Island, New York City, the Mid-Hudson Valley and the Capital Region, which is the region that Greene County belongs to.

In Greene County's case, staff from the Capital Region forward leads to the Greene County Industrial Development Agency (IDA) and the Greene County Department of Planning and Economic Development (GCPED). The IDA and GCPED determine jointly who the primary respondent to the lead should be and act accordingly.

If the company is interested after receiving the response, officials from ESD's central office or representatives of the company may make a site visit, which is coordinated by the entity that responded to the lead and ESD. As the company moves through its selection process and the list of potential locations gets shorter, the company may choose to communicate directly with Greene County economic development officials instead of filtering everything through ESD.

Incentives for such companies are funded primarily at the state level and are typically offered to encourage employers within target industries or those having jobs with certain compensation levels/skill requirements to locate in designated areas. Incentives usually have some minimum criteria to qualify and are offered for a well defined/finite time period. The win-win outcome of incentives is to bring certain types of jobs to specific locations while helping companies reduce their startup costs for a new operation or for incremental growth. Incentives are ultimately effective only if the fundamental characteristics and resources of a location meet the company's needs. If this is not the case, the company will most assuredly be forced to relocate after the incentives (primarily tax reductions and abatements) are no longer applicable.

Types of incentives typically offered by the state include the following:

- Elimination or reduction of tax payments over a specified period (usually on a declining scale)
- Grant assistance, based on qualified job creation (\$1,500 per job is typical), for improvements or purchase of land, buildings and/or equipment
- Financial assistance for new business startups from a special fund
- Labor recruitment, screening and/or training
- Technical and business mentoring/startup assistance



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Companies that are initially attracted to incentives may turn away if the amount of disclosure required is too detailed and compromises confidential company information; the paperwork and overall process to secure an incentive is too time-consuming; and/or the “clawbacks” for performance are too aggressive.

Incentives Offered in Greene County

The following provides an overview of the incentives potentially available to companies interested in locating in Greene County.

GREENE COUNTY EMPIRE ZONE INCENTIVES

Qualified Empire Zone Enterprises (QEZE)s are eligible for sales tax exemption, real property and business tax credits for businesses locating and expanding in Empire Zones (EZs). This is available for up to 10 years in designated areas of the state, with additional savings available on a declining basis in years 11 through 15. Greene County’s recently designated Empire Zone seeks to attract businesses in a variety of industries, including those target industries identified in Chapter 3 Target Industry and Resource Analysis.

Greene County has initially designated four areas as Empire Zones, located in the Towns of Athens, Catskill, Coxsackie, New Baltimore and the Village of Catskill. These zone areas are comprised of the County’s business and industrial parks, including the Greene Business and Technology Park, Kalkberg Business Park; the Hudson Valley Business Park; the Future Athens Industrial Park; and the Future Catskill Industrial Park. Although additional environmental investigation will be required, each of these sites is considered ideally suited to promote development of distribution, manufacturing, high-tech, and other mixed commercial businesses.

- **Tax Reduction Credit** - The Tax Reduction Credit allows for a credit against a company’s NYS Income Tax. This credit is available for 10 years and is based on a number of criteria, including the percentage increase in employment made by the company after Empire Zone certification is granted. The credit could potentially reduce a business’ State tax burden to zero.
- **Wage Tax Credit** - This New York State income tax credit is generally \$1,500 per “New Employee” (i.e. increase in employment after certification) per year for 5 years. However, a “Targeted Employee” (subject to definitions from the Department of Labor) paid at least 135% of minimum wage would qualify for a wage tax credit of \$3,000. Businesses are eligible to receive an additional \$500 in wage tax credit per employee per year for any new employees that receive \$40,000 or more in total compensation (wage/salary +

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benefits). New businesses that do not owe NYS taxes can receive a cash refund of up to 50% of the credits and the remainder is carried over until utilized.

- **Real Property Tax Credit** - Up to 100% of the property tax paid by a certified business to local municipal entities is eligible as a credit against its NYS income tax for 10 years. This credit is fully refundable, which means that a certified business can reduce its tax burden below zero and receive a refund payment from New York State. The amount of the property tax credit calculation relies on a number of factors, including new employment and investment at the zone location. Payments-in-lieu-of-tax agreements (PILOT) and property taxes paid by tenants are considered "eligible real property taxes" for purposes of this credit.
- **Sales Tax Refunds** - Sales tax paid on the purchase of any building materials used in construction or renovation of a property located within the Empire Zone can be refunded to the company. The purpose of this incentive is to foster private investment in commercial property, thus strengthening a locality's tax base. This benefit does not require certification, but some exclusions do apply.
- **Sales Tax Exemption** - The sales tax exemption applies to most purchases made by an Empire Zone certified business (unlike the refund, above, that only applies to construction material). The exemption covers the majority of purchases of tangible property and services used predominately (50% or more) in the Zone for a ten year period (including utility services and owned vehicles), but only exempts the purchaser from the State portion of the sales tax. The granting of this sales tax exemption is dependent upon the amount of employment created by the business after certification.
- **Investment Tax Credit & Employment Incentive Tax Credit** - The total effect of these benefits is up to a 19% return to the company on its original investment in construction, renovation or the purchase of production equipment in the form of a tax credit. This benefit only applies to manufacturers, manufacturer-equivalents and certain other specific industries. A portion of this credit may be refundable to companies that meet the "new business" definition of the Empire Zones program.
- **485-e Property Tax Abatement** – An abatement of the increase the taxable value of real property resulting from the construction of improvements to property located in the Empire Zone for a period of 10 years. All types of property are eligible, with a 100% abatement for years 1-7, 75% in year 8, 50% in year 9 and 25% in year 10.
- **Utility Rate Reductions** – Utility providers, including Central Hudson Gas & Electric Corporation, offers businesses that locate or expand in an Empire Zone up to ten years of



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discounts on increased electricity and natural gas consumption. Verizon offers a 5% rate reduction for intrastate-intraLATA charges.

- **Low Interest Financing** – Although Greene County Zone businesses are not eligible to access Zone Capital Corporation loan funds at this time, there is currently an effort underway to propose legislation that would allow certified businesses to submit applications for these funds. If approved, Empire Zone certified companies would have access to low-interest financing provided by the Statewide Zone Capital Corporation. Loans range from \$30,000 to \$300,000 and may be used for a broad range of purposes including facility acquisition or renovation, machinery and equipment, working capital lines and inventory financing.
- **Zone Capital Tax Credits** - Economic Development Zone Capital Credits (ZCCs) can be issued for qualified new investments or contributions to an approved project in the zone. They can be used by a company to attract new capital investment or by a non-profit to increase the tax incentive donors have access to for their contributions. A 25% tax credit against personal or corporate income taxes is available for contributing or purchasing shares in a zone capital corporation; or for a direct equity investment in a certified zone business; or for contributions to approved community development projects within an EZ. Essentially, if awarded an allotment of ZCCs, a business can give a new investor \$0.25 in personal or business income tax credits for every \$1.00 they invest.
- **Technical Assistance** – Each local zone office is staffed with professionals qualified to assist businesses locating or expanding in an EZ.

GREENE COUNTY IDA INCENTIVES

The Greene County Industrial Development Agency offers real property tax abatements and exemptions from sales, use and mortgage recording taxes. The IDA may grant enhanced benefits to companies on a case-by-case basis for a project expected to have a significant economic impact on Greene County.

In general, the IDA maintains a policy for the provision of real property tax abatement in the form of a Payment in Lieu of Tax Agreement (PILOT Agreement), as long as such abatement will not decrease tax revenues to any affected tax jurisdiction below the level of revenues received in the tax year preceding the abatement. The schedule for real property tax abatement for IDA approved projects is provided in the Greene County IDA's 1998 Uniform Tax Exemption Policy (UTEP), which is summarized in the table below.

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Greene County IDA Uniform Tax Exemption Policy		
Type	Length of Exemption	Portion of Property Subject to Taxation
Industrial/Manufacturing	20 years	5% increase per year
Warehouse and Distribution	15 years	10% starting in Year 1, increasing by graduated amounts through Year 15
Hotel Facility	15 Years	10% starting in Year 1, increasing by graduated amounts through Year 15
IDA Owned Commercial Park or Development Property	N/A	Exempt - no PILOT payments at all
Office Buildings	15 years	20% starting in Year 1, increasing by graduated amounts through Year 15
Technology	20 years	5% increase per year
Ski Facility	20 years	5% increase per year
Health Care Facilities	15 years	10% starting in Year 1, increasing by graduated amounts through Year 15
Agriculture and Food Processing	20 years	5% increase per year

In addition, IDA approved development projects enjoy exemption from local and New York State sales and use tax on purchases of construction materials, equipment rentals and purchases of project related equipment, furnishings and services.

Finally, whenever a mortgage is issued in the State of New York, the mortgagor must pay a 0.75% to 1.5% mortgage recording tax on the amount of the mortgage. However, the IDA can qualify a company making an investment in property acquisition for an exemption on this tax, which can be substantial, depending on the amount of the mortgage.



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FINANCIAL ASSISTANCE

As previously described in Chapter 5, a number of State and local financing programs are available to new and expending Greene County businesses. Additional incentives include:

- Interest subsidy grants
- Linked Deposit Loan Program offers below prime lending for property acquisition or renovations
- Working capital loan guarantees
- Job creation grants
- As illustrated in Chapter 5, Greene County has two funds that offer both gap and subsidy financing to businesses: the Quantum Fund, which provides up to 50% of financing for business expansion projects, and the Microenterprise Assistance Program. These funds are available to complement existing commercial loan activity. (See Chapter 5: Small Business Development Programs.)

WORKFORCE-RELATED ASSISTANCE

Other workforce related training programs available through State and regional programs include:

- The JOBS Now program
- Worker training grants
- Department of Labor assistance
- Workforce assistance through Columbia Greene Workforce Investment Office



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Incentives Offered by Pennsylvania

KEYSTONE OPPORTUNITY ZONE (KOZ)

- Companies receive exemption from sales and use taxes for property in zone
- Tax reductions/exemptions/abatements of corporate, franchise, income and real estate taxes for a defined time period. The tax reductions are not a rolling window but each zone has a defined termination date ranging from 2008 to 2018.

FINANCIAL ASSISTANCE

- County IDA (100% tax exempt bonds)
- Pennsylvania IDA (up to \$1.5 million at below market financing)
- Pennsylvania Economic Development Financing Authority (\$10 million minimum tax exempt bonds)
- Pennsylvania Machinery & Equipment Loan Fund (up to \$500,000 or 50% of total eligible project costs)
- Enterprise Zone loans (up to \$250,000 in low interest loans)
- Ben Franklin Technology Partners (up to \$200,000 in seed money for technology start-ups and several programs for small businesses and start-up financing)

TRAINING AND TECHNICAL SUPPORT

- Free worker training for qualified employers from the Workforce and Economic Development Network delivered through local schools and colleges
- There are a number of organizations (such as Pennsylvania Technical Assistance Program delivered through Penn State University) that deliver technical assistance to manufacturing and other technology companies

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Summary of Incentives Offered: New York vs. Pennsylvania

In this section, details on some incentives offered by Greene County and the State of New York are compared with Pennsylvania due to their close proximity and their comprehensive approach to incentives.

Comparison of Incentive Offerings		
Type of Incentive	New York	Pennsylvania
Special Zones	Empire Zones (EZs): Sales tax exemption, real property and business tax credits for up to 10 years, with additional savings available on a declining basis in years 11 through 15.	Keystone Opportunity Zones (KOZs): Income tax, sales and use tax, and real estate taxes within KOZ for the duration of the zone status which may exist until 2008 up to 2018.
Loans and Grants	-Local county loan programs (up to \$400,000 for major projects) -Up to \$25,000 for microenterprises -Investment and working capital loans	-State and county Industrial Revenue Bonds (up to \$1.5 million) -Significant funds (up to \$500,000) from the state for capital equipment purchases and other financing tools -Up to \$200,000 for technology company startups
Training	-Worker training grants -Support from Columbia Greene Workforce Investment Office	Multiple delivery modes through oversight of state agency
Technical Assistance	Support only with site selection not in solving production-related issues.	Production-related technical assistance through Penn State University

COMMENTS ON COMPARISON

- New York offers competitive incentive packages through the Empire Zones program and local Industrial Development Agencies, but ultimately a company will compare the tax exposure after the terms are complete. However, ten to twenty years is a long horizon that most companies cannot even plan against so some may not be overly concerned.
- Greene County offers a reasonable loan package for small- to mid-size companies, while Pennsylvania has options for funding very large operations. Based on the expected size of companies attracted to the County, the current funding levels are adequate.
- Pennsylvania has a much better loan program targeted toward technology company startups. This may be important if the area wants to attract small high tech companies.





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- Delivery of training is best left to the discretion of the company since the majority of training is done in-house or by a specialized third-party training resource. Forcing training to be delivered through the local community college is not very attractive to most employers.
- Pennsylvania has an effective process-related tech support program through Penn State University that has no equivalent in New York.

CONCLUSIONS & RECOMMENDATION

Greene County currently offers both financing and tax incentive programs that make it a very attractive location for new or expanding businesses. The County's reinvigorated IDA, the new economic development focus of the County's Department of Planning & Economic Development, and the County's new Empire Zone combined provide a range of incentive options.

Due to the fact that the Greene County Empire Zone was established as this Economic Development Plan was being formulated, the goals and objectives of the County's Empire Zone are closely aligned with the goals and objectives of the Economic Development Plan, particularly with regard to target industry attraction. As noted above, the IDA's Uniform Tax Exemption Policy (UTEP) was last amended in 1998. It may be advantageous for the IDA to revisit its UTEP to ensure that its incentive policy is consistent with the Economic Development Plan objectives and the industries the County has identified as attraction and expansion targets.

In addition, while the County has established an ample loan fund for small and large business financing needs, it should guide businesses to the Zone Capital Corporation loan program if such financing becomes available in the future. This will increase the ability of businesses to access capital, reduce the County's loan risk exposure and reduce financing costs for its businesses.