State, Local and Federal Economic Development Assistance Programs Overview

Supporting State of Illinois Assistance Programs
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<td>Export Trade</td>
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ADVANTAGE ILLINOIS PARTICIPATION LOAN PROGRAM
Benefit Type: Loan

The Illinois Department of Commerce seeks to encourage new bank lending to small business, by purchasing portions of bank term loans and lines of credit, applying below market interest rates to the state’s portion, and subordinating its exposure than those of the lending entities. Success loan applicants are those which can demonstrate strong cash flow, but may not provide sufficient collateral to support a traditional bank loan.

Eligible Borrowers
- Companies with demonstrated cash flow, but collateral shortage.
- For-profit businesses including corporations, joint ventures, partnerships, sole proprietorships, or others authorized to conduct business in Illinois.
- Business size limited to 750 employees or less worldwide.

Term Loans
- Initiated by a Participating Bank
- DCEO subordinated to Lender
- Emphasis on cash flow to service proposed loans
- Maximum Participation - lesser of: a) 25% of the Project, b) 50% of the Loan, or c) up to $1.5MM, depending on job creation/retention.
- Maximum term 10 years
- Interest Rate – 2.0% below Bank rate
- Refinancing of one Lender’s loans by an unrelated Lender now permitted. (Refinancing of a Lender’s existing exposure is possible under substantially limited terms/conditions.)

Lines of Credit
- Basic structure similar to the Standard PLP.
- Maximum participation - lesser of a) 25% of the “Project”, b) 50% of the RLOC Facility, or c) up to $1.5MM, depending on job creation/retention
- Maximum term - 2 years. (Refinancing of PLP-supported Facility possible but requires reapplication and probably facility increase)
- Refinancing of one Lender’s RLOC facility by an unrelated Lender is permitted
- DCEO Participation deposited with Lender at closing; Lender pays ¼% p.a. interest on the entire DCEO’s Participation

Prohibited Uses
- Passive Real Estate
- Ownership Interests
- Purchases of Shares/Stock
- Goodwill (though almost all other Tangible/Intangible assets may be financed)
- Certain Industries/Purposes
- Refi of Existing Bank’s Loan(s)
COMMUNITY DEVELOPMENT-SITE INFRASTRUCTURE
Benefit Type: Grant or Loan

The Community Development Block Grant (CDBG) Program was established by the U.S. Housing and Community Development Act of 1974 ("HCD Act"). The programs assists Illinois communities that do not receive a HUD direct entitlement allocation* with meeting their greatest economic and community development needs.

CDBG provides federal funding for community-based projects in non-metropolitan areas*:

- **Public Infrastructure** – Local governments that need to improve public infrastructure and eliminate conditions detrimental to public health, safety, and public welfare may request a maximum of $500,000.00 to undertake projects designed to alleviate these conditions, with an emphasis on helping communities with substantial low to moderate-income populations.

- **Economic Development** – Local governments may request a maximum of $750,000.00 for gap financing to assist businesses locating or expanding in the community. Funds may be used for machinery and equipment, working capital, building construction and renovation, or improvements to public infrastructure that creates and/or retains jobs in the community.

*Except for the communities identified in the link below, projects in all Illinois communities are eligible for participation in these programs. [https://www.hud.gov/states/illinois/working/entitlement](https://www.hud.gov/states/illinois/working/entitlement)

For additional information search: DCEO Community Development
ECONOMIC DEVELOPMENT FOR A GROWING ECONOMY (EDGE)

Benefit Type: Income Tax credit

- 10 years of tax certificates, with 5 year tax carry-forward.
- Certificates only claimed against income taxes; not transferable or salable.
- 2 years to make investment and job creation commitments without reducing the 10 years of benefits; investment and job creation commitments can be extended to 5 years but will lose one year’s worth of benefits for each year extend beyond the second year of the agreement.
- Maintains “but for” and out-of-state option provisions - cannot be compromised prior to approval.

MINIMUM JOB CREATION AND INVESTMENT REQUIREMENTS

- All parties named on the agreement (those companies which create jobs, make the investment, or report the credit on their tax return) AND THEIR RELATED COMPANIES are counted.
- Job creation and investment commitments will be included in the EDGE agreement and reflect the size of the project which may be in excess of minimum statutory requirements.

<table>
<thead>
<tr>
<th>100 or Fewer World-Wide Employees</th>
<th>More than 100 World-Wide Employees</th>
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<tbody>
<tr>
<td>Job Creation: The Lesser of</td>
<td>Job Creation: The Lesser of</td>
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<tr>
<td>• 5% of world-wide employment, or</td>
<td>• 10% of world-wide employment, or</td>
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<tr>
<td>• 50 new full time jobs</td>
<td>• 50 new full time jobs</td>
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<tr>
<td>Investment: $0 *</td>
<td>Investment: $2,500,000</td>
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*Applicant cannot receive more in credits than the project investment.

CREDIT AMOUNT

New Job Creation & Project Investment-Base Credits

- 50% of Illinois payroll withholding of newly created full-time jobs at the project.

Job Training

- 10% of eligible training costs of new full-time employees positions at the project.

New Job Creation Credits & Project Investment-Companies in “Underserved Areas”

For projects located in an “underserved area”, an additional 25% of Illinois payroll withholding of newly created full-time jobs is available if any one of the following criteria are met:

- Poverty rate of at least 20%; or
- 75% or more of the children in the area are eligible to participate in the federal free lunch or reduced-price meals program for a period of at least two (2) consecutive calendar years preceding the date of the application; or
- At least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program (SNAP) for a period of at least two (2) consecutive calendar years preceding the date of the application; or

Average unemployment rate that is more than 120% of the national unemployment average, for a period of at least two (2) consecutive calendar years preceding the date of the application.
ENTERPRISE ZONES
Benefit Type: Sales & use tax exemptions, fee waivers, property tax abatements, investment tax credit others

- 15 years in duration, reviewed after 13 years with provision to extend to 20 years.
- Zones may be expanded to include new areas or specific projects.
- Maximum size is 12 sq.mi. for single local unit of government applicants; 15 sq.mi. for multiple units of government applicants; zones can be expanded at any time.

STATE BENEFITS
Benefits Available to ALL within the EZ
- *Investment Tax Credit* provides a 0.5% credit against the state income tax for investments in qualified property (simple attachment to annual tax return).
- *Building Materials Sales Tax Exemption* provides a 6.25% exemption for qualified sale of building materials including those for remodeling, rehabilitation or new construction. Purchaser obtains an exemption document from IDOR which is presented at the time of materials purchase.

Performance Based Benefits Based on Job Creation & Employment
- *Manufacturing Machinery & Equipment Sales Tax Exemption (5 year certificate, renewable)*
  - 6.25% exemption against purchases of CONSUMABLE items used in the manufacturing process (i.e. abrasives, lubricants, fuel, etc.).
  - Eligible companies must:
    - Invest at least $5 million and create at least 200 full-time equivalent jobs in Illinois, or
    - Invest at least $40 million and retain at least 2,000 full-time jobs in Illinois, or
    - Investment at least $40 million and retained 90 percent of the jobs in Illinois on date of certification.
- *Utility Tax Exemption (5 year certificate, renewable)*
  - 5.1% exemption against electrical, natural gas and telecommunications taxes.
  - Eligible companies must:
    - Invest at least $5 million and create at least 200 full-time equivalent jobs in Illinois, or
    - Invest at least $175 million and create at least 150 full-time equivalent jobs in Illinois, or
    - Invest at least $20 million and commit to retain at least 1,000 full-time jobs in Illinois, on the date of certification.

LOCAL BENEFITS-OPTIONAL
- Varies depending upon zone.
- Must be available to all in the zone.
- Examples may include:
  - Property tax abatements
  - Sales tax abatements
  - Building permit fee waivers
  - Utility tax exemptions
High Impact Business Program (HIB)
Benefit Type: Sales & use tax exemptions, fee waivers, investment tax credit

The HIB program supports large-scale economic development activities by providing tax incentives (similar to Enterprise Zones) to companies that make substantial capital investments in operations and create or retain an above average number of jobs.

Eligible projects must invest a minimum of $12 million and create 500 full-time jobs within three years of approval, or invest $30 million within three years of approval and retain 1,500 full-time jobs. Investments must take place at designated locations in Illinois outside of an Enterprise Zone.

Businesses may qualify for the following benefits:

- **Investment Tax Credit** provides a 0.5% credit against the state income tax for investments in qualified property (simple attachment to annual tax return).
- **Building Materials Sales Tax Exemption** provides a 6.25% exemption for qualified sale of building materials including those for remodeling, rehabilitation or new construction. Purchaser obtains an exemption document from IDOR which is presented at the time of materials purchase.
- **Manufacturing Machinery & Equipment Sales Tax Exemption** (5 year certificate, renewable) provides a 6.25% exemption against purchases of CONSUMABLE items used in the manufacturing process (i.e. abrasives, lubricants, fuel, etc.).
- **Utility Tax Exemption** (5 year certificate, renewable) provides a 5.1% exemption against electrical, natural gas and telecommunications taxes.
RESEARCH AND DEVELOPMENT TAX CREDIT
Benefit Type: Income tax credit

The R&D tax credit in Illinois is modeled after the federal R&D tax credit, including the federal definition of qualifying research. The credit was reinstated in 2017 with a sunset of 12/31/2021.

**Non-refundable tax credit equal to 6.5% of qualifying research expenditures that exceed the baseline amount**

**BASELINE**
- 3 year average of R&D costs in Illinois.
- If the taxpayer incurred no qualifying expenditures during a base period year, the qualifying expenditures for that year are zero, even if the taxpayer was not in existence or conducting any business in Illinois during that year.
- If the taxpayer was doing business in this State for only part of a base period year, the qualifying expenditures for that year shall be equal to the qualifying expenditures actually incurred, multiplied by 365 and divided by the number of days in the portion of the taxable year during which the taxpayer was doing business in Illinois.

**QUALIFYING EXPENSES**
- Any federally qualifying R&D expenses that are made in Illinois qualify.
- Qualified research is defined in IRC section 41(d) and 41(e) and includes the sum of the in-house research expenses, contract research expenses and basic research payments paid or incurred by the business.
WORKFORCE TRAINING ASSISTANCE-WIOA

Northern Illinois has a highly-educated workforce featuring training and education institutions ready to partner with local businesses. The region has a:

- Diverse industry and employer base
- A highly-educated workforce
- Experience with sector strategies, including operating sector centers and regional and local sector-based workforce initiatives
- Community colleges with good reputations
- Strong employer partnerships
- Strong understanding of regional labor market, employment trends, and projections
- Career pathways models
- Willingness of workforce partners to join regional efforts
- Wage and employment growth
- Large pool of training providers

Recruitment Services: Illinois’ workforce, education and economic development partners provide no-cost human resource services for recruiting, retaining, and hiring qualified employees. Illinois can provide the following services under the federal Workforce Innovation and Opportunity Act:

- **Job Fairs and Hiring Events**: Illinois’ local workforce areas can periodic Job Fairs and participates in other events to promote your job openings. We can also host an event at one of our locations or at a larger public venue to specifically highlight your hiring needs

- **Labor Market Information**: Workforce and labor market information, including wage data and demographics, is available from the state’s labor market analysts

- **Candidate Assessment**: Illinois’ local workforce areas have space available for interviews, testing or other assessments. The tests are often available at a nominal cost to employers.

Training Services: Illinois’ local workforce areas offer a number of federally funded accelerated and customized employer-based training programs for increasing skills of existing and new employees. Illinois’ Talent Pipeline program can also provide funding for demonstration projects using one or more of the types of worker skills upgrade and work based training. The local and state awards are determined based on the size and scope of the projects and the availability of funding.

- **On-the-Job Training**: If an employer is willing to train a new full-time employee on the job, financial incentives may be available to offset a portion of eligible individual’s wages during the training period. A typical on-the-job training program serving 100 employees can be supported with $500,000 in training funds.

- **Incumbent Worker Training**: The incumbent worker training program is designed to assist employers in upgrading the skills of their workforce in order to remain competitive in both regional and global markets. The training is “employer driven” and responds to changes in market conditions as well as the introduction of new technology into the workplace. The training provides new work-related skills and prepares the workers for job upgrades. The
federal funds can generally pay for 50% of the total training costs. A typical incumbent worker training program serving 100 workers can be supported with $250,000 in training funds.

- **Customized Training**: Customized Training is designed to meet the special requirements of an employer and is conducted with a commitment by the employer to employ an individual on successful completion of training. The program includes federal funding to cover up to 50% of the cost of training. A typical customized training program serving 100 workers can be supported with $375,000 in training funds.

**Apprenticeship**: Federal funding may be available for the classroom and/or on-the-job training components of Registered Apprenticeships. The workforce system can also cover a range of supportive services – including pre-apprenticeship training, assistance in recruiting and placing apprentices, and tools, books, and other individual supplies for apprentices. A typical Apprenticeship program serving 100 employees can be supported with $500,000 in training funds.
FOREIGN TRADE ZONES
Benefit Type: Duties payment deferral, lower duty rates, reduced import fees

Each Foreign Trade Zone (FTZ) is a restricted-access site within 60 miles or 90 minutes driving time of a Customs (CBP) Port of Entry. For the purpose of tariff laws and Customs entry procedures, the FTZ is considered outside of the Customs territory of the United States.

HOW AN FTZ WORKS
Foreign and domestic merchandise may be admitted into Zones for operations such as storage, exhibition, assembly, manufacture, kitting, assembly and processing without being subject to formal Customs entry procedures, the payment of Customs duties or federal excise taxes. When merchandise is removed from the FTZ (for entry into U.S. commerce or re-export overseas), only then are Customs duties and excise taxes due.

BENEFITS
The FTZ program impacts the duties paid in a number of ways:

- **Deferral:** No duties are paid on product that has not entered US Customs territory. For some firms, that can amount to a substantial cash flow savings. For all end users, it will result in a windfall savings during the first year based on the average inventory.
- **Reduction:** Some manufacturers can elect the lower duty rate (raw material/part versus finished good).
- **Elimination:** In the case of most scrap materials and all re-exports, no Customs duties are owed. In addition, FTZ users avoid duty drawback.
- **Estimated Weekly Entry:** Many importers pay Customs brokers fees and Merchandise Processing Fees for each shipment. Those operating in an FTZ environment can file a report for all shipments in a given week, greatly reducing these fees.
- **Supply Chain costs:** With no need to clear Customs prior to arrival, many Midwest FTZ users shave 1-3 days off their timeline. A Purdue University study indicated each day lost represents \( \frac{1}{2} \) of 1% of the cost of goods.
ILLINOIS’ STATE TRADE AND EXPORT PROMOTION (ISTEP)
Benefit Type: Cost reimbursement, Gold Key Service,

Illinois’ State Trade and Export Promotion (ISTEP) program provides Illinois’ businesses with financial and technical assistance to increase exports. The ISTEP program includes 5 options for Illinois’ companies to grow their export sales:

**Group Trade Missions (GTM)**
Available to a limited number of companies, qualified businesses will receive:
- Financial assistance covering associated costs including: trade show booth fees, group ground transportation, matchmaking fees, interpreters, briefing materials, and assistance with travel logistics
- 25%-75% travel cost reimbursement, not to exceed $5,000 for travel per company
- Partial travel reimbursement for two Illinois company representatives, including roundtrip economy class airfare on a US carrier and standard hotel room

**Individual Foreign Market Sales Missions (IFMSM)**
Designed for businesses outside of the sectors represented in the scheduled ISTEP Group Trade Missions. Qualified businesses will receive:
- 25%-75% travel reimbursement, not to exceed $7,500 for travel per company
- Program costs can include gold key services such as matchmaking and trade show participation
- Partial travel reimbursement for one Illinois company representative, including roundtrip economy class airfare on a US carrier and standard hotel room.

**Product Compliance Certification (PC)**
Assists Illinois’ small and medium-sized businesses obtain compliance certification services for their products. This assistance is available for measures taken to comply with foreign regulations including those for agricultural products, ISO registration, and packing and recycling laws. Qualified businesses will receive:
- 50% travel reimbursement, not to exceed $2,000 per company.
- The International Trade Administration’s listing of certification will be used as a guide.

**Website Localization (WL)**
Website translation services, localization for foreign markets, and search engine optimization for companies to increase opportunities for export success.
- 50% cost reimbursement, not to exceed $3,000 per company.

**Export Education Program (EEP)**
Participate in the Illinois ExportTech program to increase trade knowledge and experience resulting in increased opportunities for export success.
- Up to $1,000 per company.

**Is Your Business Eligible?**
Illinois businesses must meet the following criteria:
- An Illinois firm, in operation for at least one year, with 500 employees or fewer
- Minimum of $250,000 in annual revenue
- Demonstrates an understanding of the costs associated with exporting
- Exports products and/or services must contain at least 51% USA and 25% Illinois content, or the products and/or services to be promoted substantially contribute to Illinois job creation/retention
- The Company is not applying for or receiving any other Local, State, or Federal subsidies/grants associated with export promotion assistance from any outside sources for the mission, compliance, or support, except for ExportTech program, for which this application requests funds from DCEO-OTI.
ILLINOIS’ “BUILT-IN” INCENTIVES
Benefit Type: Various

Illinois levies no taxes on items and activities which may be taxed by other states. Illinois also offers significant “built-in” tax incentives including:

- **Single Sales Tax Apportionment**
  Reduces corporate tax of corporations which produces goods in a state but sell most of them outside the state where the production occurs

- **No Personal Property Taxes**
  All property other than real estate, including machinery, equipment, inventories and intangibles, are exempt from property tax.

- **Deregulated Energy Savings**
  Purchase gas and electricity from any supplier you choose at the price and terms you find most beneficial. As a result, Illinois’ electrical rates are the 6th lowest in the U.S. and continue to decline while most other states rates are increasing.