Ohio Department of Development's Incentive Update

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Today's Agenda

I. State Tax Incentive Programs:

- Changes in Job Creation Tax Credit Program (JCTC)
- Changes in Job Retention Tax Credit Program (JRTC)
- Computation of new JCTC

II. Job Ready Site (JRS) Program update

III. Ohio Film Tax Credit

IV. Other

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Changes in Job Creation Tax Credit

Job Creation Tax Credit – Current

- Refundable tax credit based on withholding for Net, New, Full-time Employees
  - New Employees defined as 35 hours per week or more
  - Focus on full-time employees leads to cumbersome reporting

Job Creation Tax Credit – New

- Refundable tax credit based on growth in full-time equivalent employees (FTEs) and payroll
  - Permitting credit for FTEs recognizes that leading edge companies offer flexible work environments
  - Payroll is a strong proxy for the delivery of wealth into Ohioans.

Impact: Two page annual reports

Changes in Job Creation Tax Credit

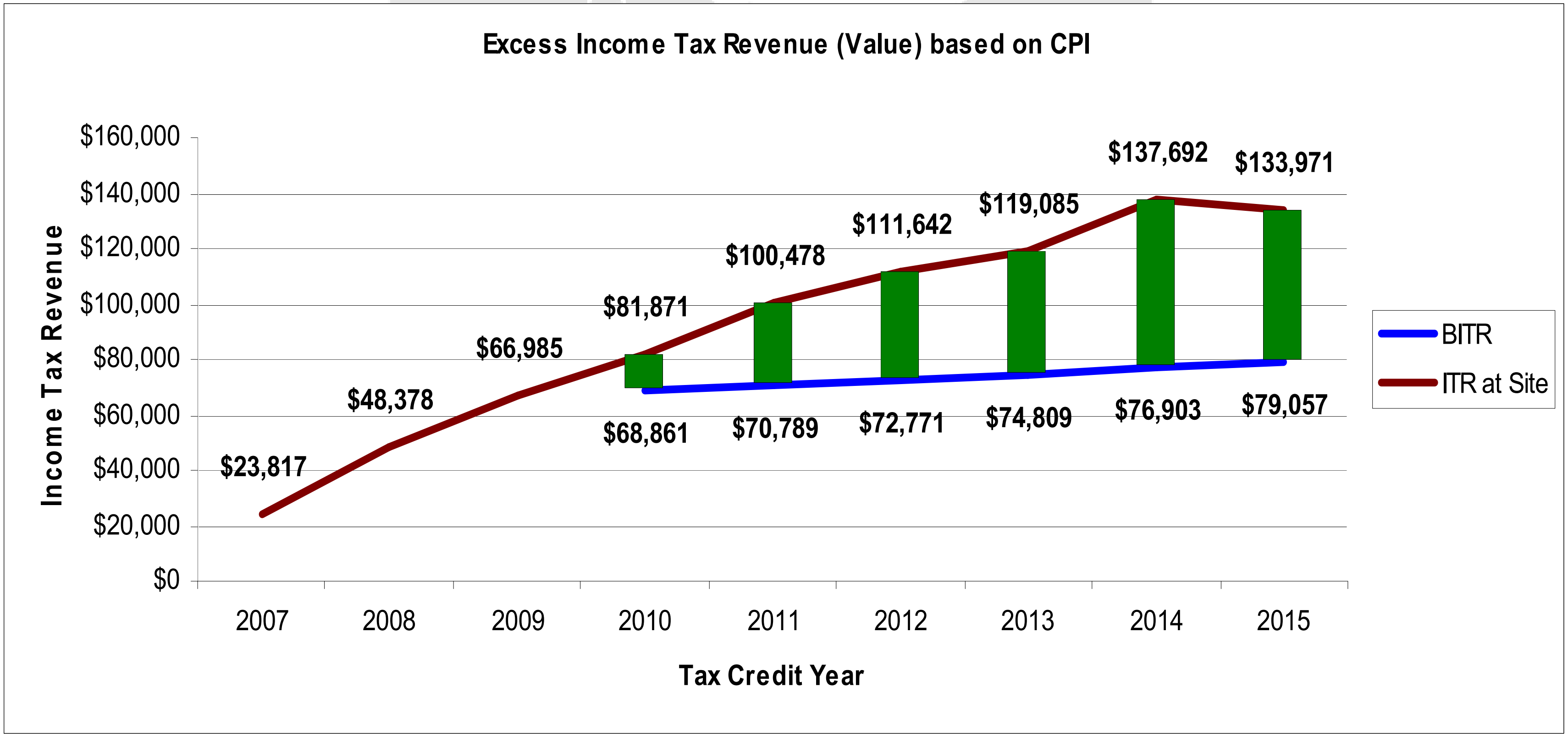
Job Retention Tax Credit – Current

- Non-Refundable Tax Credit based on retained full-time employees with more than 6 months tenure at the facility
- Minimum thresholds
  - $100 million in capital investment if wages average over $29 per hour
  - $200 million in capital investment if wages average less than $29 per hour
  - 1,000 retained jobs

Job Retention Tax Credit – New

- Payroll and FTE based like the JCTC
- Lower thresholds
  - $50 million in capital investment for manufacturing
  - $20 million in capital investment for non-manufacturing
  - 500 retained employees
- Program cap of $13 million in new annual credits per year

Computation of Credit



Key Definitions

- **“Income Tax Revenue (ITR)”**
  - Total amount withheld from each employee employed at the project.
- **“Baseline Income Tax Revenue (BITR)”**
  - “Income Tax Revenue” twelve months preceding Tax Credit Authority approval
  - Multiplied by 1 plus the annual pay increase factor
- **“Excess Income Tax Revenue (EITR)”**
  - “Income Tax Revenue” minus “Baseline Income Tax Revenue”

Additional Definitions

- **"Pay Increase Factor (PIF)"**
  - Annual percentage adjustment of "Baseline Income Tax Revenue" determined by the Tax Credit Authority
- **"Payroll"**
  - Wages paid to employees at the project location not including benefits
- **"Consumer Price Index"**
  - The seasonally adjusted compound annual rate statistic released by the Dept. of Labor, Bureau of Statistics

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Who qualifies?

- Companies that proposing to create at least 10 full-time employees at 175% of the federal minimum wage generating at least $660,000 in payroll over the first three years of initial operations qualify for the program.

- The payroll amount of $660,000 is the equivalent of 175% of the federal minimum wage for 25 full-time equivalent employees. This payroll figure will increase yearly as federal minimum wage increases.

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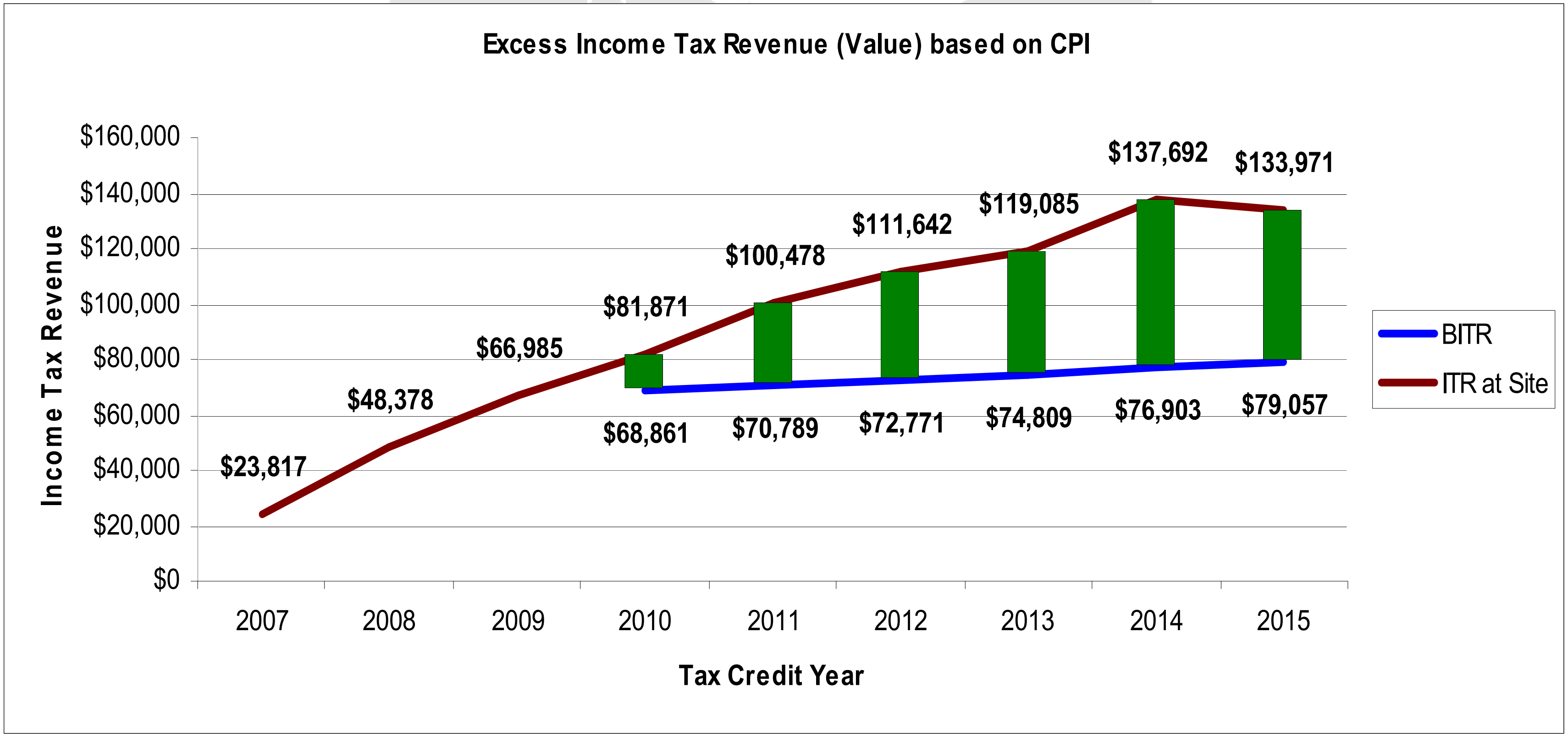
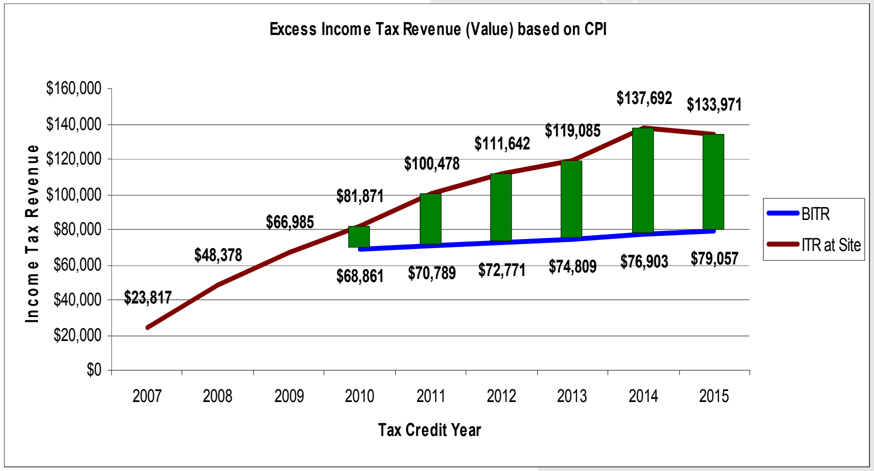
Scenario 1: 3-year Company

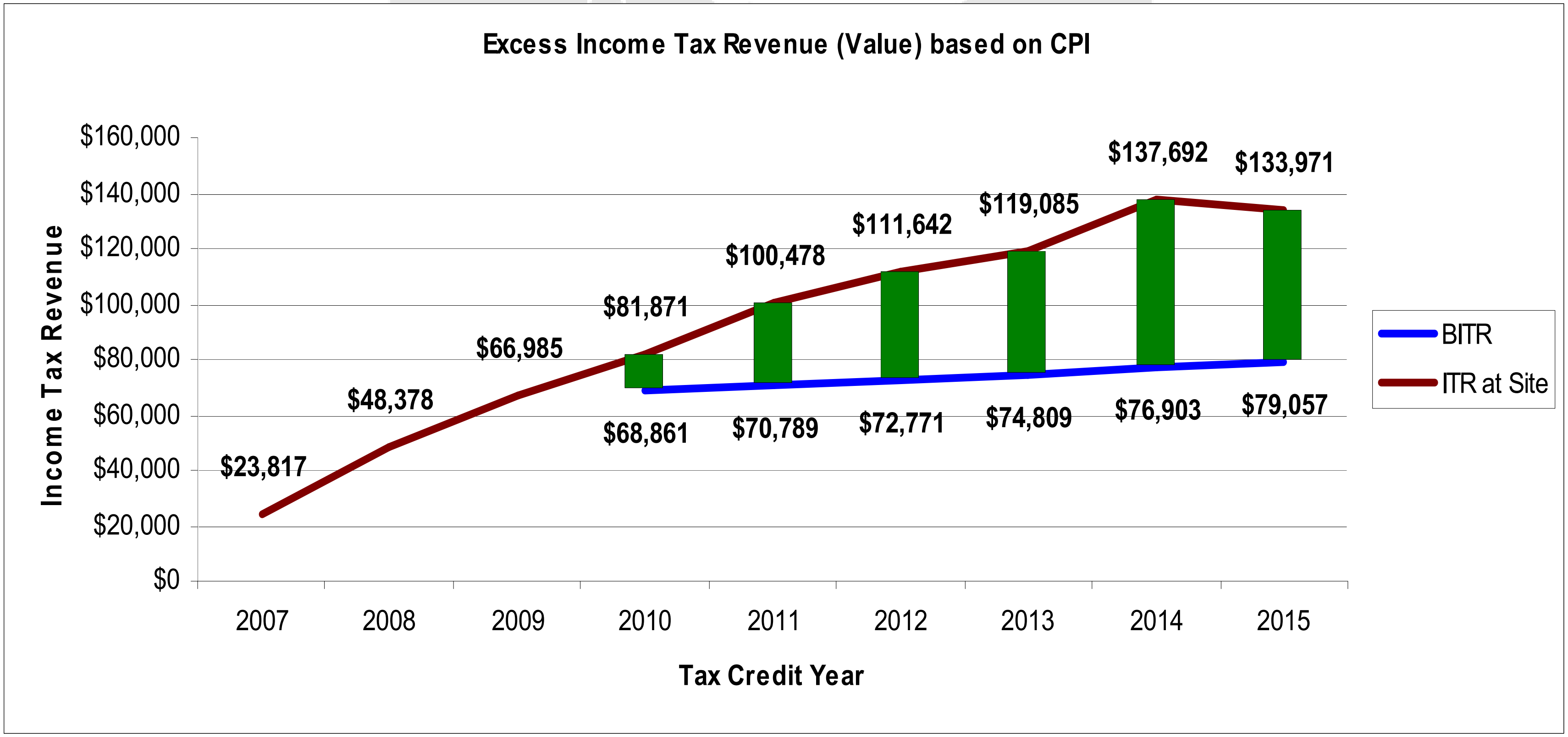


Assumptions

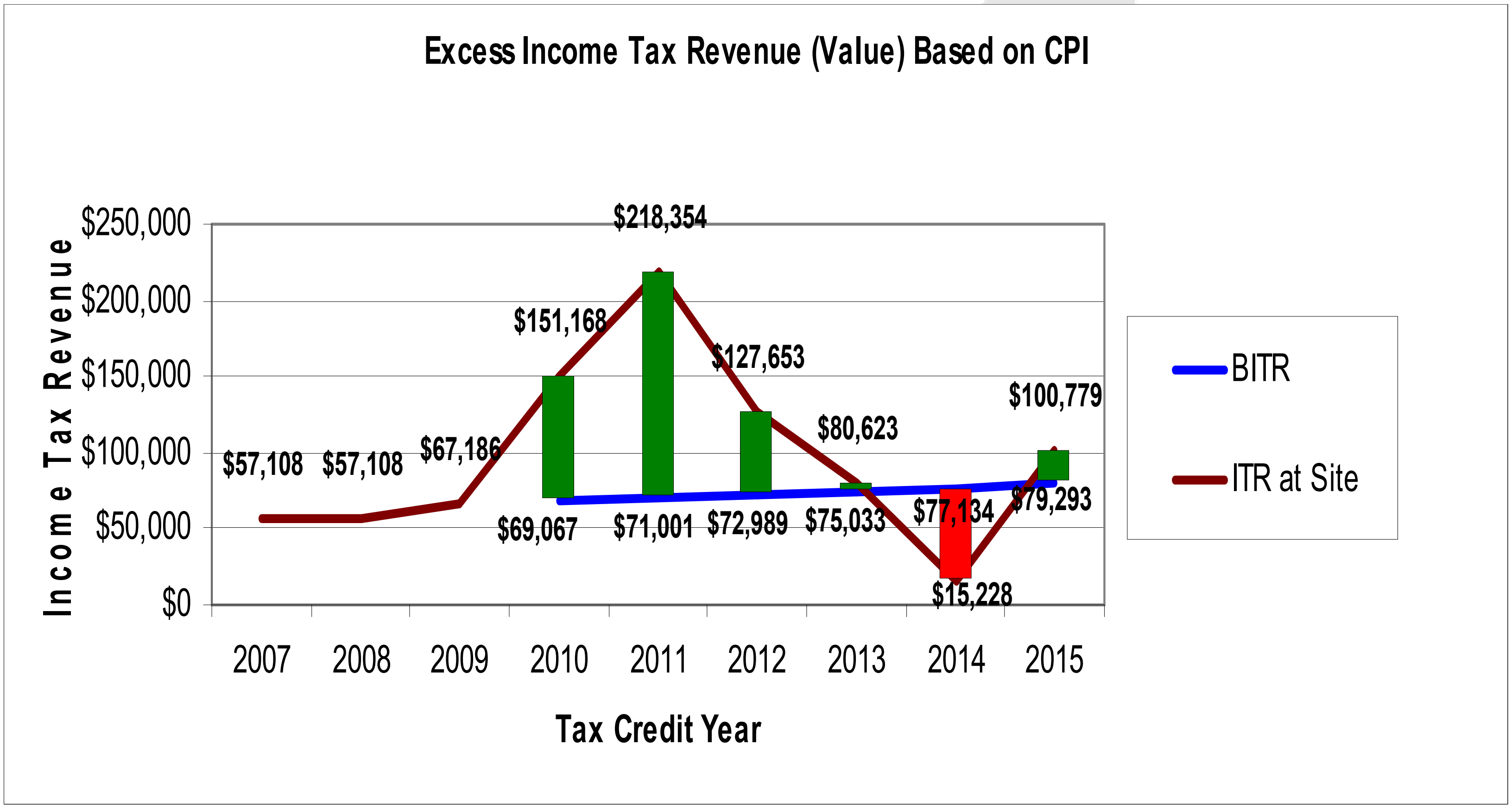


- Company had 90 FTE's at the project site at the time of approval ($2.8m in payroll).
- The company proposes to create 60 new FTE's ($1.87m in payroll).
- The wage for both current FTE's, and new proposed FTE's is $15.00 per hour.
- Company experienced large "ramp-up" growth over the previous three years (38%).
- BITR used annually adjusted by using 2x the 12-month ending Consumer Price Index of All Urban Consumers (1.4) plus "1" as the PIF, or 1.028%.
- Company meets payroll commitments by its third year and exceeds those commitments through the remainder of the term.

Scenario 1: 3-year Company



Scenario 2: Single-contract Dependent



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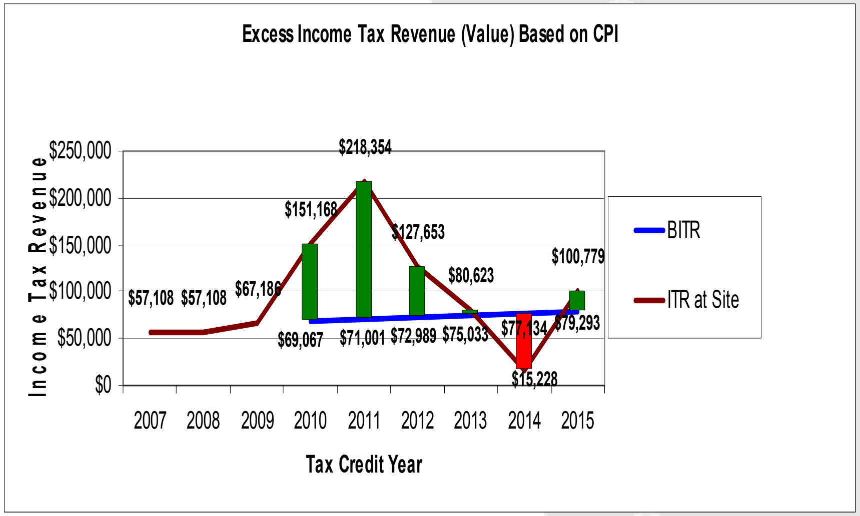

- Company had 100 FTE's at the project site at the time of approval ($2.9m in payroll).
- The company proposes to create 225 new FTE's ($6.5m in payroll).
- The wage for both current FTE's and new proposed FTE's is $14.00 per hour.
- Company experienced payroll growth over the previous three years of 7.5%.
- BITR used annually adjusted by using 2x the 12-month ending Consumer Price Index of All Urban Consumers (1.4) plus "1" as the PIF, or 1.028%.
- Company lost its contract, and starting laying off employees at a rapid pace, dipping below is baseline employment in year 4. Secured a new contract in year 5.

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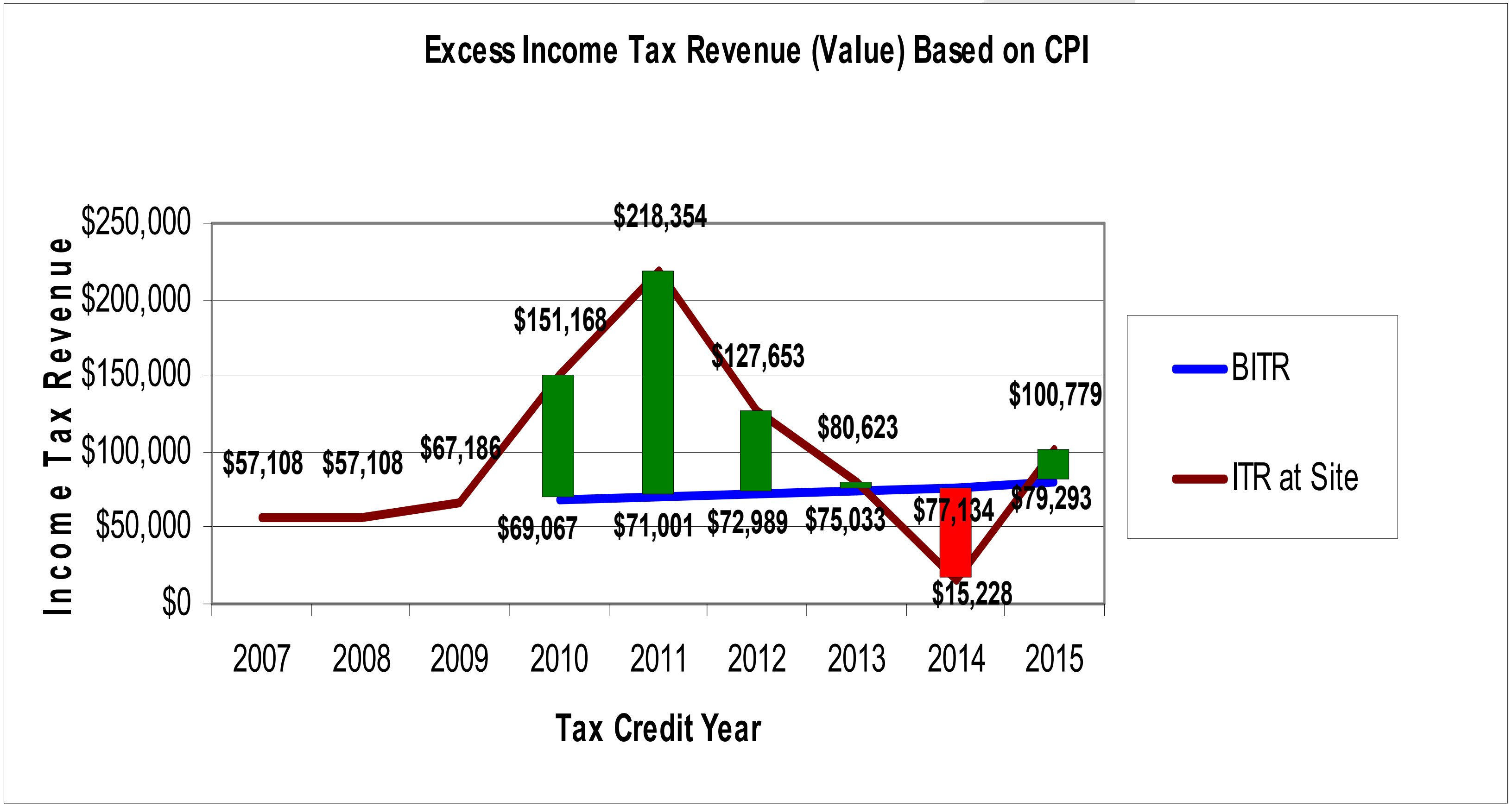

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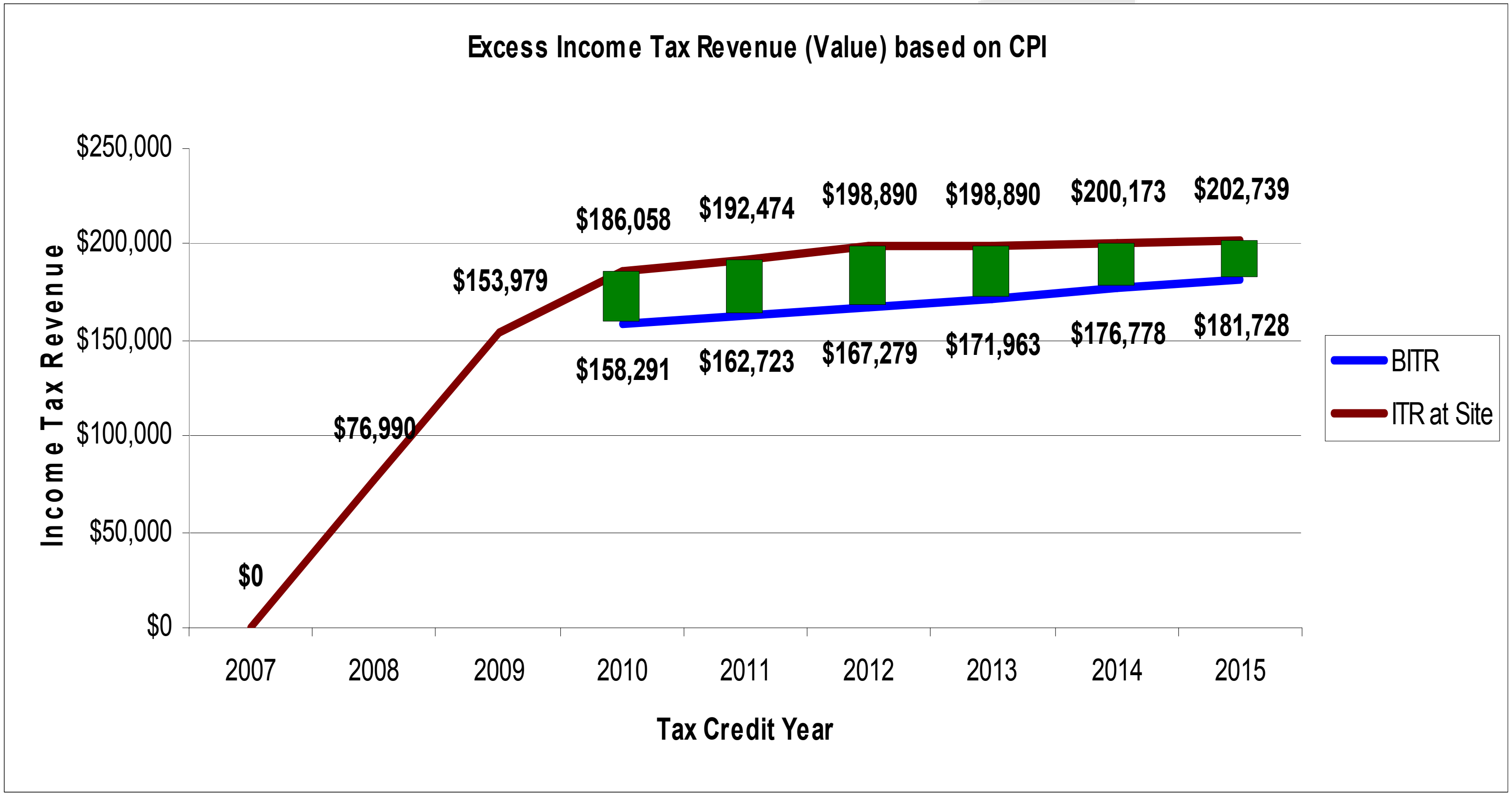
Scenario 3: 2-year Company, Steady Growth



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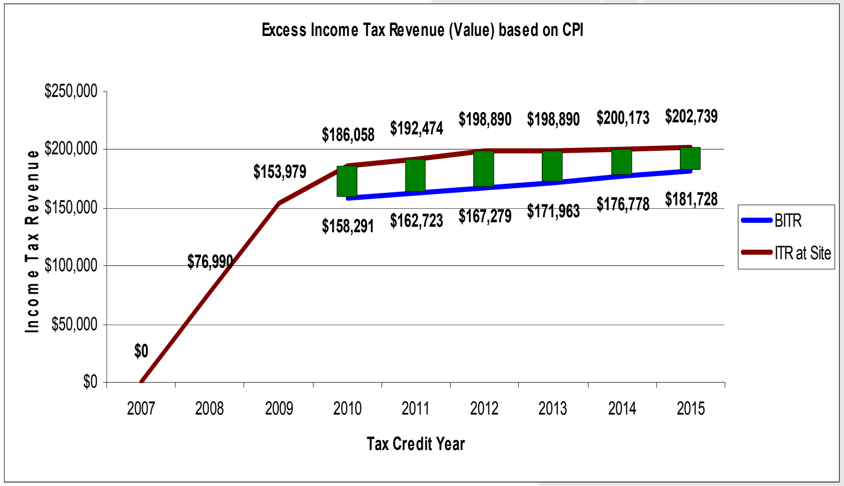

- Company had 120 FTE's at the project site at the time of approval ($5.4m in payroll).
- The company proposes to create 35 new FTE's ($1.6m in payroll).
- The wage for both current FTE's and new proposed FTE's is $22.00 per hour.
- Company experienced rapid payroll growth during 2-year start-up period (50%).
- BITR used annually adjusted by using 2x the 12-month ending Consumer Price Index of All Urban Consumers (1.4) plus "1" as the PIF, or 1.028%.
- Company reached commitments in year three, then maintained a steady growth pace.

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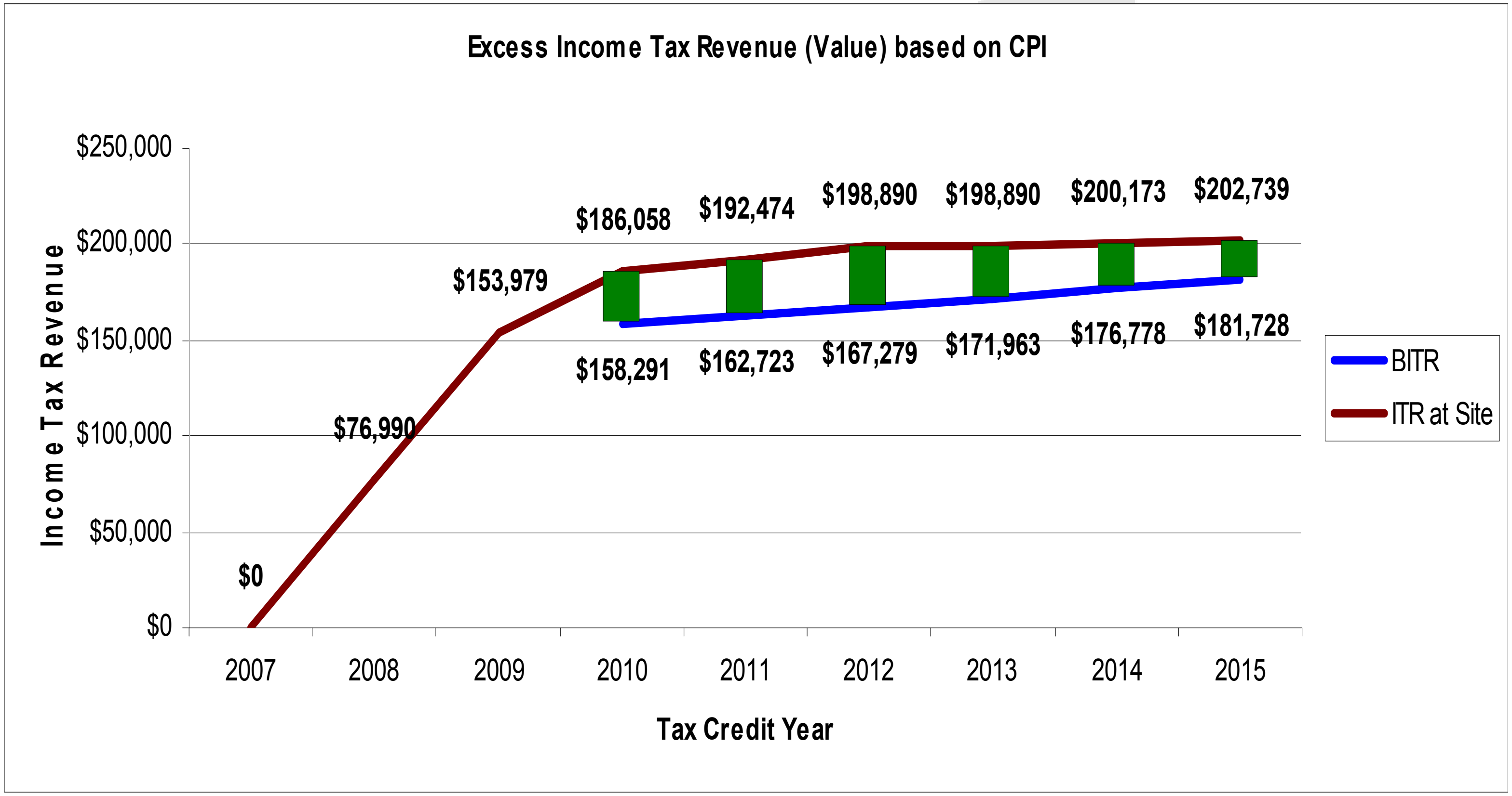

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Ohio Job Ready Sites Program (JRS)

JRS Overview

- **Program created to fill gaps in Ohio's inventory of readily available sites**
- **Site Categories**
  - Manufacturing or Mega Manufacturing
  - Technical Center/Research Laboratory
  - "Smart" Office
  - Existing Industrial Building
- **Sites are held to rigorous site development standards**
- **Sites are certified by Development and a third-party site selector upon completion**

JRS Timeline – Funding Round 3

- **Fall 2009**
  - Program Guidelines
  - Pre-application
    - Provides preliminary feedback on projects
    - Participation not required
- **Winter 2010**
  - Competitive application
- **Fall 2010**
  - Award announcements

JRS Funding Round 3

- **Combined FY 2010 & FY 2011**
  - $20 million available in competitive funds
- **Industrial Site Improvement Fund Program rolled into JRS**
- **High-Intensity Category**
  - Grants capped at $3.5 million
  - Typically moderate to significant infrastructure improvements
  - Certification required
- **Low-Intensity Category**
  - Grants capped at $750,000
  - Typically minimal or phased infrastructure improvements
  - Certification preferred but not required

Ohio Film Tax Credit

Film Tax Credit

- The program provides a refundable, non-transferable tax credit to be taken against a business' corporate franchise tax or an individual's Ohio personal income tax obligations. The credit is based on eligible production expenditures (EPE's)
- EPE's must be made in Ohio to qualify for credit. Production expenditures do not, however, have to be made exclusively in Ohio.
- Must have a minimum of $300,000 EPE in order to apply
- EPE's are credited as follows:
  - Ohio resident cast and crew wages will be credited at 35%
  - All other EPE's will be credited at 25%.

  **For the purposes of this credit, an Ohio resident is an individual who maintains a domicile located in the State of Ohio for at least six months in any calendar year.

Other Tax Credit/Incentive Issues

- Technology Investment Tax Credit
  - $15 million in additional capacity
- State New Markets Tax Credit
  - $10 million to support investment similar to the federal program
- Sporting Events Tax Credit
  - Super Bowl; NCAA Bowl Championship Series and Final Four games; the Olympics; all-star major-league basketball, baseball, and hockey games; World Cup Soccer games; and the National Senior Games
  - Does not start until FY2012
  - No funding source

Questions?

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