



BUSINESS ASSISTANCE GUIDE

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THIS DOCUMENT REVIEWED WITH:

NAME

DATE

COMPANY NAME

LOCATION

FINANCIAL REPRESENTATIVE

Upon review, your advisor will check the programs and funds that best apply to your needs and supply notes and action items to streamline the process.

BUSINESS ASSISTANCE GUIDE

TABLE OF CONTENTS

TAX EXEMPTIONS	2
FINANCING PROGRAMS	3
WORKFORCE PROGRAMS	6

Most of North Dakota’s economic development tools and incentives are targeted toward primary sector businesses. Legislation for several of these incentives specifies that a business must be certified as a primary sector business by the Economic Development & Finance Division of the ND Department of Commerce. Certification does not guarantee receipt of any incentive, but being certified as a primary sector business can be an important first step in the process.

“Primary sector business” means an individual, corporation, limited liability company, partnership or association which, through the employment of knowledge or labor, adds value to a product, process or service that results in the creation of new wealth. Primary sector businesses typically include manufacturing, value-added ag/food processing and technology-based services where a vast majority of revenue is generated from clients outside North Dakota. The term may include some back office, corporate headquarters and tourism, but does not include production agriculture.

TAX EXEMPTIONS

- Property Tax Exemption
- Commercial Remodeling Exemption
- Corporate Income Tax Exemption
- Sales & Use Tax Exemption
- Automation Tax Credit

Property Tax Exemption

A qualifying project may receive a complete or partial exemption from ad valorem taxation for up to five years on new or existing buildings or structures used in the project. Land is not exempt.

As an alternative to the complete or partial five-year property tax exemption, a qualifying project can negotiate a Payment in Lieu of Taxes (PILOT) for up to 20 years or create a Tax Increment Finance (TIF) district which can reduce property taxes incurred or provide an alternative to costs for infrastructure to or near a project site.

Commercial Remodeling Exemption

Commercial properties older than 25 years in Mandan and 30 years in Bismarck are eligible for an exemption for up to three years for any value added due to certain remodeling projects or additions. This exemption is limited to value added by the Assessor for completed remodeling or additions. Applications must be approved prior to the commencement of the improvements.

Corporate Income Tax Exemption

Newly established primary sector businesses, or expansions of existing primary sector businesses, are eligible for an exemption up to five years from North Dakota state corporate income taxes. For business expansion, the exemption applies to the increase in corporate income attributable to the expansion project and related to North Dakota revenues.

Sales & Use Tax Exemption

North Dakota provides sales tax exemptions for equipment and materials used in manufacturing and other targeted industries. A new or expanding plant may be exempt from sales and use tax on purchases of machinery or equipment used for manufacturing ag commodity processing or recycling.

Other exemptions narrower in scope are also available including the construction of ag processing or energy generating facilities, as well as coal mine and biodiesel fuel equipment.

Automation Tax Credit

An income tax credit is allowed to a primary sector business for purchasing new or used automation and robotic machinery and equipment for the purpose of upgrading or advancing a manufacturing process. The upgrade or advancement must improve job quality or increase productivity. The credit is equal to 20% of the cost of the approved machinery and equipment.

FINANCING PROGRAMS

- North Dakota Development Fund Programs
- Bank of North Dakota Programs
- Bismarck Vision Fund
- Mandan Growth Fund
- North Dakota Opportunity Fund
- New Markets Tax Credit

North Dakota Development Fund Programs

The North Dakota Development Fund, part of the North Dakota Department of Commerce, provides flexible gap financing for new or expanding primary sector businesses in the state.

	North Dakota Development Fund/Rural Revolving Loan Fund	New Venture Capital Program
Borrower	Any primary sector business	Any primary sector business
Funding Limit	Up to \$1,000,000 and based on job requirement	Up to \$300,000
Interest Rate	Lower than market rate – subject to rise of project	Lower than market rate- subject to risk of project
Term	Working capital: 1-3 years Equipment: 3-5 years Real Estate: 7-10 years	Working capital: 1-3 years Equipment: 3-5 years Real Estate: 7-10 years
Min. Equity	15%	15%
Corp./Pers. Guarantee	Yes	Yes
Qualifications	A North Dakota Business	A North Dakota Business
Cost and Fees	1% of original loan or equity balance	1% of original loan or equity balance
Miscellaneous	Development Fund: for businesses located in cities with a pop. of 8,000 or more: job creation requirement of \$40,000 per FTE Created Rural Fund: for businesses located in cities Equity Financing available	Does not have a job creation requirement Equity financing available

Bank of North Dakota

The Bank of North Dakota (BND) is the only state-run bank in the United States. Its commercial lending program serves the credit needs of the state and are made on a sound and collectible basis. All business loans are made in participation with a lead lender. The lead lender completes and submits an application requesting BND's participation.

	Business Dev. Loan	Pace & Flex Pace	Beginning Entrepreneur Loan Guarantee	Match
Borrower	Any ND business	Primary sector business	ND resident with net worth below \$500,000 with training or experience in enterprise in which loan is sought	Primary sector business
Funding Limit	\$1,000,000	Up to BND lending limit	Up to \$500,000 with carrying guaranty percentages	Up to BND lending limit
BND Participation Requirements	Lead lender required – averages 50%-70% of total loan	Lead lender required – averages 50%-80% of total loan	Any lending institution related or funded under the laws of ND or the US	Lead lender required
Use of Proceeds	Acquisition of new or existing business, working capital, equipment, real property, refinancing	Term working capital, equipment, real property	Working capital, real property, equipment or personal property, business start-up expenses, including childcare facility, refinance or consolidate debt	Term working capital, real estate, equipment
Interest Rate	Variable rate: Prime less 0.50% or Fixed rate: comparable FHLB rate plus 2.25%	5% below yield rate and not less than %5 below Prime with a floor of 1%	Acceptable lender charged rate	BND's share – equal terms US Treasury Note rate plus 0.25% with a 2% floor. May be adjusted periodically
Terms	Working capital: 1-5 years Equipment: 5-7 years Real Estate: 12-20 years	Working capital: 1-5 years: Equipment: 5-7 years: Real Estate: 12-15 years	BND guaranty may not exceed 5 years	Working capital: 1-5 years Equipment: 5-7 years Real estate: 12-15 years
Collateral	Shared first security interest on acceptable business assets	Shared first security interest on acceptable business assets	Negotiable	Shared first security interest on acceptable business assets & corporate guarantee
Equity Requirements	Based on project and management	Based on project and management	Based on project and management	No minimums – based on project and management
Personal Guarantee	Yes	Yes		Corporate guarantee from parent if borrower is a subsidiary
Credit Criteria	Based on borrower and project	Based on borrower and project	Established by lead lender	Borrower must have a long-term investment grade rating of "A" or acceptable alternative
Cost and Fees	Origination fee of up to 1% may be charged and shared with BND	\$250 BND fee, assessed on a loan-by-loan basis	0.5% per year on a commitment of less than 5 years or a one-time fee of 2% on the guaranteed portion of a 5-year commitment	Assessed on a loan-by-loan basis.
Miscellaneous		Maximum BND by down is \$500,000 per loan per biennium		Bank line of credit may be substitute for "A" credit rating.

Bismarck Vision Fund

The Bismarck Vision Fund is a city-sales-tax-supported fund that provides assistance to businesses that wish to relocate to or expand in Bismarck. The Vision Fund can offer flexible assortment of financing opportunities, such as interest buy downs, reduced interest loans, equity positions and other individually tailored financial incentives and exemptions.

Mandan Growth Fund

In 1991, Mandan voters approved a portion of the 1% city sales tax for job and economic development. The fund established for this purpose is the Mandan Growth Fund. The Growth Fund committee considers applications for assistance and incentives with a focus on developing employment within the area, expanding the local tax base, increasing capital investment and improving the entrepreneurial climate. The committee provides recommendations to the Mandan City Commission for final consideration. Applications must generally be approved prior to construction, building occupancy or the state of business operations, depending upon the program.

North Dakota Opportunity Fund

The North Dakota Opportunity Fund is a loan participation program developed from the State Small Business Credit Initiative, which was created by the Small Business Jobs Act of 2010. The program offers rates ranging from 4% to market rate. Eligible uses include construction, equipment, term working capital, real estate and interim SBA 504 loans. Loan proceeds will not exceed \$1 million and must not exceed more than 50% of proposed project costs. This fund is typically used as a gap financing tool to lower the borrower equity portion and/or the lead lender's total loan exposure. The program is administered by the Lewis & Clark Regional Development Council.

New Markets Tax Credit

The NMTC Program attracts private capital into low-income census tracts by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years.

WORKFORCE PROGRAMS

- North Dakota New Jobs Training Program
- Career Builders Scholarship Program
- Career Builders Student Loan Repayment Program
- Operation Intern
- Workforce Recruitment Credit

North Dakota New Jobs Training Program

The North Dakota New Jobs Training Program captures the North Dakota state income tax withholding generated from individuals filling new job positions, identified in a New Jobs Training Agreement, for up to a ten-year period starting from the effective date of the Agreement. The Program offers a cash grant, in the form of a refund of the employer's portion of an employee's state income tax withholding, to primary sector businesses located or expanding in North Dakota. The refund is based on the number of jobs created and salaries of these jobs and is projected over a period of 10 years. Funds are distributed on a quarterly basis. The contract can be updated to accommodate new hires above and beyond those in the initial contract. This program is easy to use and popular among companies in the state.

Career Builders Scholarship Program/Loan Repayment Program

The maximum scholarship amount is \$17,000 and is limited to programs which can be completed in four semesters. Program is targeted towards in-demand technical careers and retention. Upon completion, the student must reside and work in an eligible high-demand or emerging occupation for a minimum of three years or repay the scholarship. The program requires a 1:1 public-private match.

The maximum loan repayment grant is \$17,000, with one-third of the loan repaid each year the graduate lives and works in North Dakota. Program is targeted towards in-demand technical careers and retention. Students must be enrolled full time and maintain a 2.5 GPA. Upon completion, the student must reside and work in an eligible high-demand or emerging occupation for a minimum of three years or repay the scholarship. The program requires a 1:1 public-private match.

Operation Intern

Employers can access up to \$4,000 of matching funds for each student with a maximum of 5 interns per funding year. The maximum amount of Operation Intern funds as employer can receive is \$20,000 per funding round or \$40,000 per biennium. Employers will be limited to a maximum of 5 interns each funding round and companies may apply for the maximum number of interns each round. Targeted industries will be eligible for 60% of funding, high wage/high demand occupations 40%.

Workforce Recruitment Credit

A business that employs extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota is eligible for a credit equal to five percent of the compensation paid during the first 12 consecutive months to that employee. The credit is allowed in the first year following the year in which the employee completes the 12-consecutive-month employment period.

THINGS TO DO

CONTACTS



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MANDAN**
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