

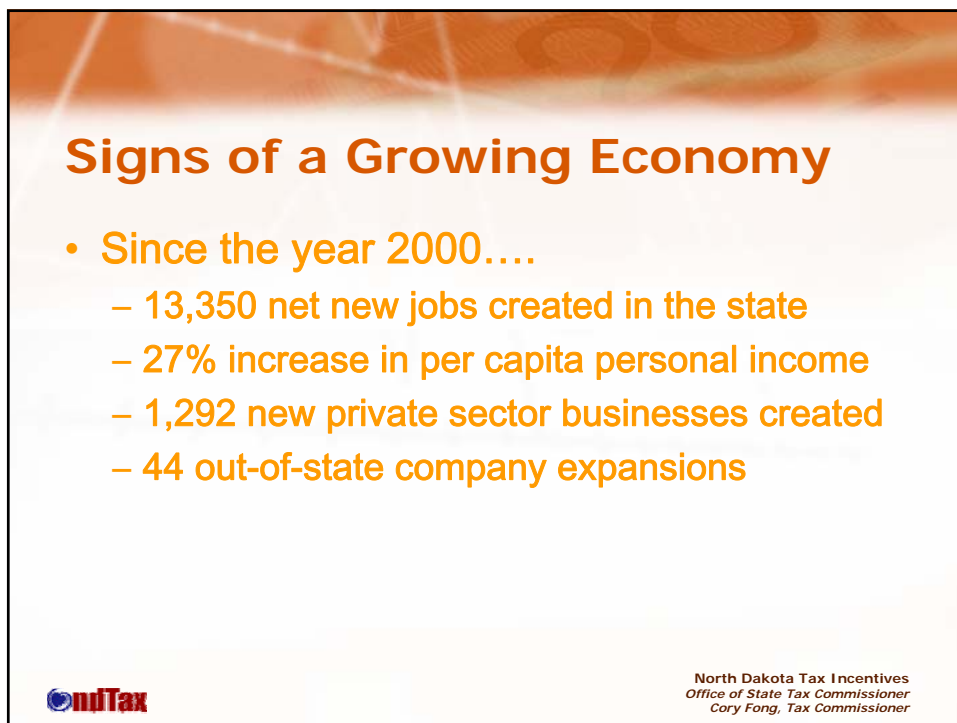


**North Dakota
Tax Incentives
For Workforce Development**

Office of State Tax Commissioner
Cory Fong, Tax Commissioner




This slide features a background of orange and white with a faint map of North Dakota and a line graph. The text is centered and uses a bold, sans-serif font.



Signs of a Growing Economy

- Since the year 2000....
 - 13,350 net new jobs created in the state
 - 27% increase in per capita personal income
 - 1,292 new private sector businesses created
 - 44 out-of-state company expansions

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Signs of a Growing Economy

- Since the year 2000....
 - Fargo & Bismarck near the top of Forbes Best Places for Business and Careers
 - North Dakota leading plains states in annual economic growth as measured by gross state product



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Signs of a Growing Economy

- 2005 Taxable Sales Up 7.3% over 2004
 - \$8.5 billion
- Tax Collections for FY 2006 up 16%
 - Up \$177 million



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Barrier for Continued Growth

- Workforce Challenges
 - Declining number of new job entrants
 - Retirement in many key industries
 - Aging population
 - Worker shortages and skill gaps in many key industries



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Barrier to Continued Growth

- Worker & Skill Shortages
 - Health related occupations
 - Teaching
 - Skilled trades
 - Professional
 - Customer Service
 - Computer Related



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Barrier to Continued Growth

- Worker & Skill Shortages
 - Truck driving
 - Engineering
 - Manufacturing
 - Oil Field & Energy



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Economic Growth Creates Workforce Needs

- Business expansion & startups 2005 through May of 2006
- Thousands of job vacancies across the state
- Announced and planned projects will create thousands of additional construction and permanent jobs



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Economic Growth Creates Workforce Needs

- Bottom line – we need more new workers



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Proposed Concepts

- Tax Incentives for:
 - Workforce recruitment
 - Internships
- Expansion of Research & Development Tax Credit



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Incentive for Recruitment

- Businesses are in the best position to know & understand their recruitment and workforce needs
- Empower businesses to be more aggressive and targeted in their recruitment efforts through incentives



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Incentive for Recruitment

- Tax credit available to businesses for direct costs associated with recruiting “hard to fill” positions in North Dakota



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Incentive for Recruitment

- The direct costs that may qualify include:
 - Expenses in creating a targeted recruitment program
 - Registration and travel costs of recruiting efforts, to include attending job fairs
 - Moving expenses & signing bonuses offered to newly recruited employees



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Incentive for Recruitment

- The Tax Department could work with JSND to define “hard to fill” positions
- Or - the tax credit could be made available to primary sector businesses, using existing definitions utilized by Department of Commerce



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Incentive for Internships

- Meaningful internships can act as the bridge from a positive higher education experience directly into the work place
- Once again, businesses are in the best position to know & understand what it takes to create meaningful internships



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Incentive for Internships

- Empower businesses to develop meaningful internships through incentives
- May encourage more research & development
- Keep college graduates working right here in North Dakota



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Incentive for Internships

- Tax credit available to businesses for costs associated with developing an internship program, to include the stipend or salary offered to college interns
- If the internship results in a permanent placement within the business, a second tax credit applies



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Incentive for Internships

- EX: For each intern that is placed in a permanent position with the business within the first two years following the internship, an additional tax credit may be made available in the tax year in which the new recruit completes his or her first year of employment with the business



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Expand Research & Development Credit

- At a time when we are looking for ways to expand our state's research capacity and the commercialization of research through programs like the Centers of Excellence Initiative, it is appropriate to encourage more companies to conduct research on and around our campuses



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Expand Research & Development Credit

- Meaningful research, resulting in good paying jobs and career opportunities after graduation, will encourage young people to attend our colleges and stay right here in North Dakota



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Expand Research & Development Credit

- Currently
 - Available for corporation
 - Income tax credit
 - Credit = 8% for first \$1.5 million of excess expenses
 - 4% of excess expenses above \$1.5 million



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Expand Research & Development Credit

- Options to Consider
 - Increase the credit percentage to a flat rate for all research expenses above the base year expenditure
 - Remove the base year expenditure requirement from the calculation of the credit



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Expand Research & Development Credit

- Options to Consider
 - Percentage of expenditures in certain rural areas
 - Provide a ceiling on the credit to limit the fiscal impact



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For More Information

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