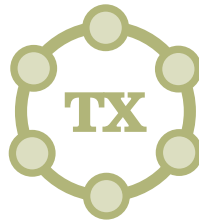


# The Benefits of State Tax Credit and Incentive Programs

By Stephen W. Carter



Taking advantage of state tax and incentive programs could help your company grow and expand. Here are some tips for identifying your options and potential providers.

**W**hen was the last time you reviewed state tax credit and incentive opportunities to reduce your company's tax liability or offset your training costs? It has probably been some time, because most companies don't have the in-house resources to manage the process. There's a good chance that your company's location, expansion plan, employees' background, or investment in staff training to deploy new technology qualifies for state credit or incentive programs.

State governments annually allocate tax credit and incentive funds to attract new businesses and retain existing ones. They expect businesses to apply for these programs to help offset liabilities and encourage growth. Although the application process appears to be complex, the rewards are worth the work.

## IDENTIFYING YOUR OPTIONS

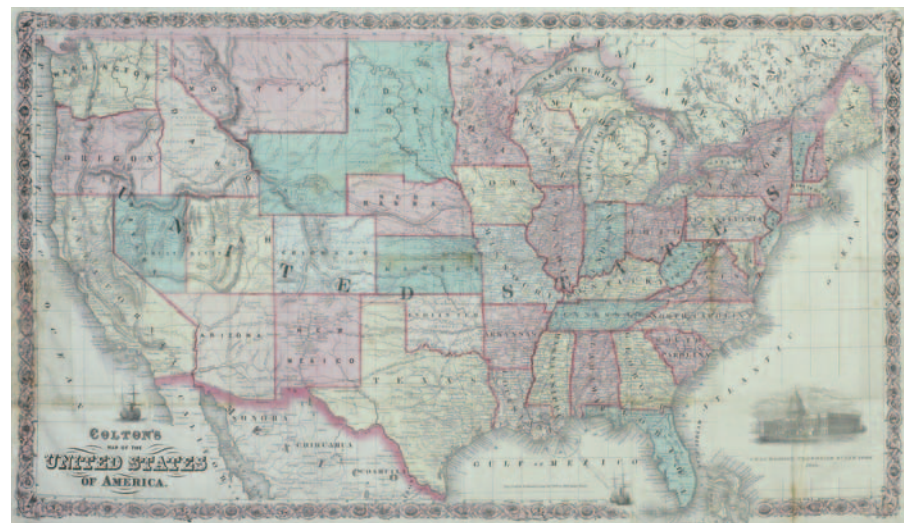
Today, many companies are turning to service providers to help them navigate the system, weigh options, and take advantage of these opportunities. Companies benefit from their expertise and relationships with funding sources. And it doesn't cost them a dime to get started, because these firms work on a contingent-fee basis and are paid a percentage of the savings they recover.

Here's how the process works. First, an outsource service provider gets to know your business and employees—some companies even offer specialized technology to make this process more efficient. Next, the service provider matches your profile with the tax credit or incentive opportunities offered by the state or states where you operate. After discussing and weighing all options with you and after

you've made your choices, the provider completes the proper forms and paperwork and submits your application. The firm also helps you stay compliant throughout the process.

## TAX CREDIT DETAILS

There are two types of tax credits—demographic and geographic. The demographic type awards credits based on your firm's hiring practices. In the January/February 2005 issue of *FAO Today*, this column talked about Federal Welfare-to-Work and Work-Opportunity Tax Credits. States also offer similar hiring benefits that “piggyback” these credits.



The geographic tax credits are based on a company's investment in building a new facility or adding onto an existing facility. The tax credits are awarded based on enterprise zones, tax-advantage zones, empowerment zones, renewal communities, etc. The list is long and varies from state to state.

States also offer a wide range of incentive programs, staff training benefits, and cash grants that businesses can apply for to

help offset costs. These opportunities help businesses attract and retain employees as well as keep them in the community contributing to the local economy.

## TAX CREDITS IN ACTION

Some states reward tax credits for job growth and hiring people in distressed communities. For example, a company in South Carolina experienced significant growth and created many new jobs over the past three to four years. Because it was located in a distressed county, the company was able to amend its tax returns and reclaim tax credits for creating new jobs over the prior three years. The company realized a \$2 million tax credit to offset liabilities. And, if it doesn't use all of the tax credits during the year they are awarded, the company can carry them forward.

Companies that are in a growth mode and are considering an expansion or building a new facility should first consider tax credits as part of their economic development plans. Submitting paperwork to the state and reviewing zoning maps in advance could save even more money. For example,

one company's managers discovered that by moving their new building from one block to another they could save \$10,000.

In today's global economy, businesses need to invest in new technologies to stay competitive. They may need to hire and train new employees as well as existing employees to operate the technology. This can be a huge expense for a company because it requires employees to miss work to participate in training. States offer cash grants to offset these



costs in order to help companies improve their business and employees.

For example, one company realized it needed to upgrade the core technology of a routine task in order to improve employee efficiency. The company contracted an outsourcing service provider to help identify and apply for state training grant funds that would cover 50 percent of the salary and benefits of the 650 participants during the training period as well as the written training materials. There was one caveat to issuing the \$500,000 grant money: The company had to make a commitment to hire 25 new employees after the training period was completed.

The service provider helped prepare and submit the grant request as well as all of the periodic reports and final report documenting all of the company's success points and how the grant funds were spent.

Finding a provider to help you uncover tax credits and incentives is very similar to finding any other service provider. You just need to do your homework. Check the vendor's current client list to find out what kind of credit and incentive programs it has managed and where its area of expertise lies.

## ASK THESE QUESTIONS

- Does the prospective vendor have relationships with state agencies and can it troubleshoot the process for you?
- Is it going to provide all of the documentation services you need and not create more work for you?
- Does it offer any specialized technology to keep up with each state's opportunities, matching your company and employee profile?
- Does it offer reporting services to keep you informed of its progress?

You could realize significant savings and growth opportunities by applying for tax credits or incentives. The process may seem daunting, but having the right outsource service provider as your partner can make it all worthwhile. Now is the right time to get started. **FAO**

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# Looking to Outsource? Here Are Some Things You Should Know About Treasury Management

By Denise Doig

**Timothy Hesler, President of the Treasury Management Association of New York (TMANY), shares some insider information on treasury management.**

**FAO Today:** How would you describe treasury and investment management?

**Timothy Hesler:** Investment management generally is, for most corporates, part of treasury's activities—unless you're an insurance company or financial institution where investment management could be a completely separate department or company. So it's almost typically always a part of treasury.

Treasury management includes cash management, financial risk management, and hedging—which would be broken into foreign currency risk and interest rate risk management—also cash forecasting, liquidity management, debt management, investment management, and electronic funds transfer. Those are the typical areas from a broad, high level that are a part of treasury. They each can be broken down into smaller units.

**FAO Today:** What is the function of the Treasury Management Association of New York (TMANY)?

**Timothy Hesler:** It's one of the most important regional AFP [Association for Financial Professionals] organizations in the country. It's an educational, not-for-profit organization for the New York City area for corporates and non-profits. And it is there to provide educational opportunities, networking, and help with job searchers in the field. Also, we provide the second largest regional treasury conference in the country; 1,000 people come to

it. The conference is about 20 years old and this year it is September 7-9, at the Marriot Marquis in New York City. Since it is such a large conference and so many people have been going to it for such a long time, some of the speakers we get are John Edwards, Eliot Spitzer, and Tom Brokaw. Next year, the conference will be held in late May at the New York Hilton.

**FAO Today:** Outsourcing treasury management gained popularity a few years back as seen by the boom in Dublin. What brought this about?

**Timothy Hesler:** There was a bunch of outsourcing later in the 90s, but it seems that it has slowed down slightly—but certainly Dublin was one of the places to go to. Typically they would pick a bank like Royal Bank of Scotland, or J.P. Morgan Chase, or Citibank, or Bank of America and outsource some of their activities to the bank, and Dublin was a popular site. And it seems to have slowed down slightly because the trend for much larger, sophisticated companies is to centralize. Be that as it may, most large companies do have a treasury operation whether it's in Dublin, or the Netherlands, or Belgium, or Luxembourg, and that's just for Europe.

**FAO Today:** You mentioned that you think the outsourcing market is slowing down for treasury management. Why do you think that is?