



Business Incentives: STI Case Studies



ISSUE: DOWNSIZING

COMPANY PROFILE: Financial Services – Retail with 500+ Locations in 11 states

Client recently downsized by reducing both employment nation-wide as well as the number of facilities. They expect to continue with this process over the next 12 – 24 months.

Results:

\$7.5 million over a 4 year period consisting of Enterprise Zone/Empowerment Zone tax credits that offset income tax. None of the credits would require recapture if future employment levels decreased.

Incentive Package	Year 1	Year 2	Year 3	Year 4
Federal Empowerment Zone				\$182,000
State Enterprise Zone	\$1,345,000	\$1,713,000	\$1,373,500	\$2,901,500
Total Benefit Realized	\$1,345,000	\$1,713,000	\$1,373,500	\$3,083,500

ISSUE: CREDITS FOR NON-MANUFACTURING ENTITY

COMPANY PROFILE: Supermarket Retailer with 150 – 200 Locations in 4 states

Client was unaware of employment hiring tax credits based upon their stores' geographical locations. ADP researched all the supermarket locations and determined that approximately 20 stores were in Federal Empowerment and State Enterprise Zones which offer hiring credits for employees who both reside and work in these zones.

Results:

Client realized approximately \$1.1 million in federal and state tax credits. ADP's proprietary mapping software allows ADP to isolate locations within the boundaries of Federal Empowerment Zones/Renewal Communities on a nationwide basis. Processing of these credits as well as identification of "targeted" employees for Work Opportunity Tax Credit maximized the client's tax credit opportunities.

Incentive Package	Year 1	Year 2	Year 3
Federal	\$258,652	\$207,184	\$224,274
State 1	\$125,000	\$115,500	\$141,375
State 2	\$9,021	\$7,911	\$8,394
Total	\$392,673	\$330,595	\$374,043

ISSUE: NET OPERATING LOSS

COMPANY PROFILE: Manufacturing/Distribution with locations in 35 states

Client was in net operating loss position for at least 5 years in most states. They paid minimal to no income tax and were not sure if the time and effort needed to generate credits would be worthwhile. Based on this situation, ADP worked with client to focus on incentives that were refundable, available to offset taxes other than income taxes, or credit carry-forwards of at least 10 years. In addition, although much of the required information could be obtained through the client's annual tax package reporting process, additional site visits by ADP personnel were required. ADP needed to enact legislative changes and zone boundary changes prior to announcement of the project.

Results:

\$11.1 million over a 4 year period consisting of credits that offset sales & use tax, franchise tax, net worth tax, refundable opportunities and income tax liabilities.

Incentive Package	Year 1	Year 2	Year 3	Year 4
Credits that off set taxes other than income taxes	\$380,000	\$442,000	\$884,000	\$856,000
Refundable Credits		\$389,000	\$350,000	\$351,000
Credits that offset income tax in states with current liabilities	\$854,000	\$751,000	\$668,000	\$1,010,000
Credits that offset income tax in states with no liability but with 10+ year carry-forwards	\$2,057,000	\$800,000	\$879,000	\$429,000
Total	\$3,291,000	\$2,382,000	\$2,781,000	\$2,646,000

ISSUE: ADDITIONAL OPPORTUNITIES

COMPANY PROFILE: Manufacturing/Distribution/Office/Retail with 47 Locations in 20 states

Client had completed a "tax minimization review" by a major accounting firm that included a search for statutory incentives. ADP proceeded with an incentive analysis and identified several qualifying opportunities exceeding \$100,000 per state.

Results:

\$1.7 million in tax credit savings over a 3 year period consisting of enterprise zone tax credits that offset income tax in the 3 states where the client identified the largest liabilities.

Incentive Package	Year 1	Year 2	Year 3
California	\$365,500	\$505,800	
Illinois	\$23,700	\$622,900	\$30,100
Rhode Island	\$169,000		
Total	\$558,200	\$1,128,700	\$30,100



Tax Credit Services