

Indiana Opportunities for Offshore Wind Businesses

A. The Advantages of Indiana

Reasons for locating a business in Indiana include the state's business-friendly environment, its integrated transportation network, and its world-class research and manufacturing centers. Indiana offers a competitive tax structure, the second-lowest cost for industrial electricity rates in the nation, and the lowest worker compensation rate in the Midwest. It ranks first in the Midwest and eleventh in the nation in the Tax Foundation's 2012 Business Tax Climate Index. Recent legislation reduced the corporate income tax rate to 6.5%. In addition, the state supports innovation through R&D sales tax credits and state tax exemptions for new patents.

The Indiana Economic Development Corporation (IEDC), a public-private partnership, is the state's leading economic development agency. It focuses on attracting businesses to the state, as well as growing and retaining businesses. It serves as a clearing house for information on business resources, including information on financial incentives, regulatory structures, permits, labor laws, tax programs, and workforce development.

Indiana's transportation network connects the state quickly and efficiently to major national and international markets. The state ranks 15th in the nation in foreign and domestic waterborne shipping, moving over 70 million tons annually from three ports. More than 60 companies operate out of these ports. The ports are serviced by two major freight rail arteries to the Great Lakes/St. Lawrence Seaway and the Inland Waterway System (via the Ohio River) and by interstate highways. The Port of Burns Harbor is the most efficient deep-water port on the Great Lakes. The Jeffersonville Port is the fastest growing port on the Inland Waterway and is an intermodal transportation gateway on the Ohio River. The Mount Vernon Port handles the most tonnage. Each port has a foreign trade zone in which duties can be lowered or deferred. Indiana has 41 freight railroads and an extensive highway system, which ranks first in the nation.

Indiana has a growing clean technology sector. Between 1998 and 2007, the clean energy workforce grew by nearly 18%. Advanced manufacturing firms, world-class research and development institutions, and innovative partnerships between Fortune 500 companies, innovative start-ups, and research institutions contribute to a robust supply chain and the advancement of innovative energy technologies. The manufacturing sector is further strengthened through extensive research and development in next-generation batteries.

Indiana has significant wind resources along its Lake Michigan shoreline. In 2011, Indiana University received a \$420,000 grant from the US Department of Energy to study the wind resource potential on Lake Erie and perform an evaluation of remote sensing technologies for estimating the wind resource.

The American Wind Energy Association ranked Indiana 12th in the nation for installed onshore wind power capacity. In 2011, Global Blade Technology USA, Inc. (GBT) announced its plans to build two new blade manufacturing facilities in Indiana due to the state's proximity and ease of access to wind markets in the Midwest and to offshore activity to the east and south. IEDC will provide GBT with up to \$2.8 million in performance-based tax credits and up to \$200,000 in training grants (contingent upon job creation minimums). Evansville, the city in which a blade facility will be located, is offering a similar tax credit through the city's revolving loan fund.

B. Government Policies Pertaining to Offshore Wind Power

Renewable Resource Portfolio Standard

Indiana adopted a Renewable Portfolio Standard (also known as the Comprehensive Hoosier Option to Incentivize Cleaner Energy Program) in 2011 with a 10% renewable energy goal by 2025. Only public utilities may participate in the program.

Offshore Wind Planning

Indiana is not a member of the Great Lakes Offshore Wind Energy Consortium, a group convened by the Obama administration in April 2012 to streamline offshore wind development in the Great Lakes.

C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

IEDC serves as a clearing house for information on financing programs and economic development opportunities throughout the state and has incorporated all state entities with incentive and support programs into its structure and toolkits. The Indiana Finance Authority (IFA) oversees State-related debt issuance and provides financing solutions to facilitate business investment in Indiana.

Business Incentive Loans and Bonds

The **Volume Cap Program**, administered by the IFA, provides tax-exempt financing by issuing tax-exempt bonds for eligible projects. In 2010, the IFA awarded nearly \$240 million to five facilities and two manufacturing companies. The IFA can award up to \$29 million in volume cap each month to projects—the amount is based on jobs created or retained, the job wages, the amount invested, and the dollars of the volume cap used per position. Companies that locate in designated, disadvantaged counties are favored. The tax-exempt financing is available for manufacturing and facilities.

The IFA can issue bonds greater than \$3 million to promote economic development for qualified manufacturing facilities, manufacturing equipment, and other projects through its **Large Bond Program**. The interest on these bonds is usually exempt from federal income tax for investors, which typically results in lower long-term rates for the borrower.

Manufacturing companies with financing needs less than \$3 million may qualify for the IFA's **Small Bond Program**, which offers reduced time frames and reduced fees to smaller companies. The program works with banks that purchase and hold the bonds. Interest rates range from 80%-85% of prime rate.

Tax Credits

The **Economic Development for a Growing Economy Tax Credit** is awarded to businesses with projects that result in net new jobs. The tax credit must be a major factor in the company's decision to move forward with the project in Indiana. The refundable tax credit is calculated as a percentage of the expected increased tax withholdings generated from the new jobs. The credit is phased-in over ten years. Similarly, the **Hoosier Business Investment Tax Credit** provides incentive to businesses to support jobs and capital investment, but the credit is phased-in over a two-year period and may be carried forward for up to nine years.

A company that relocates its headquarters to Indiana is eligible for the **Headquarters Relocation Tax Credit**, which provides a credit equal to half the moving costs. To qualify, a company must have an annual revenue of at least \$100 million and employ at least 75 Indiana residents.

The **Research and Development Tax Credit** provides a credit against the state tax liability for a company's research expenses. The credit is based on the increase in R&D over a three-year base period. Fifteen percent of qualified research expenses are eligible on the first \$1 million of investment. The credit may be carried forward ten years.

Through the **R&D Sales Tax Exemption**, businesses may receive a credit against their state income tax liability on a percent of qualified research expenses. They may also be refunded sales tax paid on qualified R&D equipment.

The **Enterprise Zone Program** provides tax incentives and benefits to companies within designated zones. Companies may take advantage of government services and resources, managerial and counseling programs, and assistance forming public-private partnerships. In addition, companies do not pay property tax on business inventory, are exempt from gross income tax on increase in receipts, and receive other tax abatements.

D. Other Applicable Incentives

The **Venture Capital Investment Tax Credit** provides incentive for individual and corporate investors to invest in early-stage companies in Indiana. Investors who provide debt or equity capital receive a credit against their Indiana tax liability. The aggregate credit for a qualified business is equal to the lesser amount of 20% of the qualified investment or \$1 million.

The IEDC provides financial support through its **Industrial Development Grant Fund** to local governments for infrastructure improvements that enable a company to expand to or locate in Indiana. The local government must provide matching funding from a combination of local government and company financial support. The grant amount typically does not exceed 50% of the project cost and is based on the number and quality of jobs being created.

The **21st Century Research and Technology Fund** is a grant program focused on entrepreneurial ventures with demonstrated market commercialization of innovative technologies. The Fund makes awards in two broad categories: Science and Technology, and Centers of Excellence. Awards are made up to two years, in amounts up to \$5 million. Targeted industries include clean technology.

Small businesses that are interested in expanding their export sales are eligible for funding to attend international trade shows through the **Trade Show Assistance Program**. Manufacturing companies located in Indiana are eligible for assistance and can receive up to \$5,000 to attend trade shows.