FOREWORD BY JULIO GONZALEZ

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SECOND EDITION

GOVERNMENT INCENTIVES & TAX CREDITS

A PRACTICAL GUIDE

for Accountants, Bookkeepers, CPAs, and Finance Professionals Who Work With Small and Medium-Sized Businesses

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Foreword

Two decades ago, I founded Engineered Tax Services, Inc. (ETS) to bring tax equality to all small business owners in the United States by serving as a resource for tax credits, incentives, and grants to the accounting community. Today, ETS stands as the largest specialty tax firm in the country.

For 21 years, our mission has been clear—to bring professionally licensed tax studies to mainstream America. These incentives, once the exclusive domain of Fortune 500 giants and public companies with national accounting firms, are now tools that create, preserve, and maintain U.S.-based jobs—vital for our economy and future growth. Like Subcity, we realized that the best way to reach and serve small and medium-sized business owners was to partner with CPAs, accountants, and finance professionals, whom they rely on for tax and financial advice. The savings, deductions, and results for thousands of our accounting and CPA partners are a testament to our commitment to empowering businesses of all sizes.

From small town Alabama to the jagged mountains of Wyoming, and every city and state in between, we have conducted thousands of studies for clients across the nation. While we take pride in surfacing a staggering $2 billion in incentives for corporations each week, I am always particularly thrilled to witness firsthand the impact of these programs on individual business owners and the communities they were designed to support.

America's business owners never cease working to build their companies, hire, innovate, and invest in their facilities. From personally serving on the Real Estate Round Table behind the Tax Cuts and Jobs Act to championing the establishment of Opportunity Zones and my regular interaction with congress and elected officials, I will never stop working to narrow the gap between the haves and have-nots in the realm of tax and business incentives.

At ETS, we have expanded over the years by first acquiring The Growth Partnership, The Rosenberg Survey, and ABLE CRM in 2020 to help the CPA community nationwide have more resources for their clients across marketing, performance benchmarks, and sales. We also acquired Inside Public Accounting at the end of 2021 to strengthen the company's abilities to be a resource to the accounting community.

In 2022, we expanded ETS with the acquisitions of Tax Credit Advisors and Salazar Grant Services to add more services in our mission to bring tax equality to all citizens who richly deserve these benefits.

Subcity’s technology, team, and the hundreds of local, state, and federal incentives that they’ve digitized represent a perfect complement to the mission we started decades ago. As the country’s largest resource of tax credits, tax incentives, and grants to the accounting community and the clients they serve, ETS is excited to partner with Subcity to bring this book and associated resources to 12,000+ CPA and accounting partners we work with and all finance professionals that support America’s small and medium-sized businesses.

Together, we can equip business owners with the knowledge and expertise to ensure they benefit equitably from the government incentives and tax credits designed to fuel their success.

Julio Gonzalez
Founder, CEO, and Chairman at Engineered Tax Services
The Growth Partnership
ABLE CRM

Chapter One
Introduction to Government Incentives

Why This Book Exists and How To Use It

Each year, the United States government does something extraordinary—it gives away $100 billion in "economic incentives"[1] in the form of tax credits, grants, deductions, loans, and cash reimbursements to businesses. While this sounds like an enormous opportunity for small and medium-sized businesses, the truth is that the majority of these funds go unclaimed or to big businesses. In fact, 90% of the funds go to companies with 500 or more employees.[2] This is particularly jarring when considering that SMBs comprise nearly 99.9% of US businesses[3].

Our goal is to change this and swing the pendulum in favor of small and medium-sized businesses by educating and supporting the trusted financial advisors these business owners rely on.

The purpose of this book is simple—to provide the finance professionals who support small and medium-sized businesses, such as accountants, bookkeepers, CPAs, fractionalCFOs, insurance brokers, business consultants, economic development professionals, small business bankers, commercial real estate agents, and others, with the information they need to work with their clients to identify and apply for economic incentives.

Large corporations have expensive consultants, tax attorneys, and government relations teams working on their behalf, helping them access government incentives. For the average small and medium-sized business (abbreviated to SMBs in the remainder of this book), however, these types of specialized services are beyond the realm of possibility. By educating business owners about what incentives are available, simplifying the application processes, and enhancing transparency, we can level the playing field and ensure that small businesses benefit equitably from these programs that were designed to help them succeed.

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[1] Story, Louise, Tiff Fehr, and Derek Watkins. n.d. "Explore Government Subsidies." Www.nytimes.com. Accessed September 13, 2023.
http://www.nytimes.com/interactive/2012/12/01/us/government-incentives.html.
[2] The Small Business Administration defines a small business as under 500 employees so we will use that definition throughout this book.
[3] "2022 Small Business Profile United States 33.2 Million Small Businesses Share of Employees Working at Small Businesses by State Business Dynamics." n.d.
https://advocacy.sba.gov/wp-content/uploads/2022/08/Small-Business-Economic-Profile-US.pdf.

This book's objective is to arm you with a better understanding of the world of government incentives and tax credits beyond any finance professional outside of the Internal Revenue Service or specialized tax firm!

How To Use This Book

Over 2,000 government incentive programs are scattered across hundreds of different federal, state, utility, and municipal websites and PDFs. We've compiled all of this info into one centralized database. We will answer the questions you are most likely to have concerning economic incentives, such as:

- What are economic incentives, and why are they offered?
- How much is available, and how do I know what each of the businesses that I work with qualifies for?
- Where and when do I apply for economic incentives?
- How do I stand up an incentive practice to drive revenue and value for me and my clients?
- How do I stay current with the latest programs, changing guidelines, and updates?

After going through the A to Z of economic incentives, in subsequent chapters, you will have access to a breakdown of the sort of incentives available and a list of all federal programs, the recent legislation, and links to the most popular programs and incentives in each state with the administering organizations to apply or request more information.

***PLEASE NOTE: While this book serves as an introduction to government incentive programs, many of these incentives change, with new rules and regulations coming into play, often at the discretion of newly elected officials. Funds expire, and grant programs are eliminated.*

That's why the Subcity website aggregates hundreds of incentives in real time to provide you with up-to-date information. Our technology monitors and stays up-to-date with new legislation and guidelines as they evolve to take advantage of the dynamic nature of these programs.

Head over to Subcity.com/book to get started!

A Few Common Misconceptions

Many small business owners and the professionals who serve them have preconceived ideas about government incentives. Here are some typical questions with the correct answers.

- **Shouldn't the company's CPA be on top of these programs?** First, you should ask the CPA who files the firm's annual corporate taxes if they are tracking tax incentives at the local, state, and federal levels! If you use the "Big Four" accounting firms (Deloitte, PWC, EY, or KPMG), these firms have state and local teams (SALT) and credit and incentive practices. Even the next tier of accounting, auditing, tax, and advisory firms typically have credits and incentive (C&I) practices. However, the vast majority of small and medium-sized businesses do not use a larger tax firm. Even strong regional firms typically do not offer C&I services. They may have familiarity with some federal programs, but typically, they don't proactively offer application assistance or track guidelines advice on them to clients or track incentives for a firm as its requirements evolve.
- **Will these programs put a target on my client's back for the IRS?** If the business is taking an incentive for the first time on a return that's filed when due, the odds of being audited are no higher than if you weren't taking the incentive at all. Amending returns, however, to claim credits that you didn't previously realize you qualified for can cause the audit rate to increase slightly.
- **Are these just government handouts?** These incentives are your clients' tax dollars. Small business owners are hardworking and entrepreneurial—we know that they don't want handouts or government help. Economic development is not about handouts—it is about improving towns, counties, and states by supporting the entrepreneurial spirit embodied in America. As you'll see in the next chapter, there are sound economic reasons for offering tax incentives, they been a feature of the US government since its founding.

The first version of this book was published in 2019, before the global pandemic. COVID-19 and the last few years have underscored how important it is that we know how to actually build things in America–from essential personal protective equipment (PPE) to developing life-saving vaccines and everything in between. Global events, such as the war in Ukraine, lockdowns in China, and volatility in shipping, fuel, and commodity prices, further emphasize the need for the United States to be self-sufficient in critical industries. By empowering businesses through well-designed subsidies and incentives, we can strengthen our resilience and ensure we are adequately equipped to face future challenges.

There's a lot to learn about the many ways in which the businesses you work with every day can benefit from economic incentives. Let's get started.

Why Does the Government Offer Economic Incentives?

Subsidy
Noun /ˈsʌb·sə·di/
Plural: subsidies

Definition: A subsidy is a benefit given to an individual, business, or institution, usually by the government. It is usually in the form of a cash payment or a tax reduction. The subsidy is typically given to remove some type of burden, and it is often considered to be in the overall interest of the public, given to promote a social good or an economic policy.[4]

Subsidies have been around since the founding of the United States and are designed to spur economic development and help drive behavior that benefits the greater good. The Tariff Act of 1789 was the first substantial legislation passed by the very first US Congress and signed into law by President George Washington on July 4, 1789.

This first Tariff Act was designed to both protect trade and raise revenues for the federal government. The constitutional authority for the act is found in the powers given to Congress to “lay and collect Taxes, Duties, Imports and Excises" and “regulate Commerce with foreign Nations." Among other things, the act established the first schedule of import duties and levied an additional 10-percent duty on imports carried on vessels "not of the United States."[5]

Subsidies can go by many different names and come in many forms, which we will break down and explain in later chapters. In the hundreds of years since the first Tariff Act, these industrial policies and financial incentives have been instrumental in shaping the growth of industrial sectors, encouraging innovation, and building a robust domestic economic ecosystem.

The reason for offering subsidies and government incentives to businesses is multifaceted, but their main aim is to foster economic and community development. These objectives include:

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[4] The Investopedia Team. 2022. “Subsidies: Definition, How They Work, Pros and Cons.” Investopedia. February 22, 2022. https://www.investopedia.com/terms/s/subsidy.asp.
[5] “1789: First Congress Provides for Customs Administration.” n.d. U.S. Customs and Border Protection. https://www.cbp.gov/about/history/1789-first-congress-provides-customs-administration.

- **Creating and Retaining Quality Jobs.** Incentives encourage businesses to expand their workforce and create new job opportunities, stimulating local economies and improving the standard of living of residents.
- **Broadening and Diversifying the Tax Base.** By supporting businesses in various sectors, incentives help diversify the tax revenue sources, reducing the dependency on a single industry or firm and mitigating economic risks.
- **Encouraging Capital Investments.** Subsidies can help promote capital investments in technology, infrastructure, and research, driving innovation and fostering long-term economic growth especially in strategic sectors.
- **Increasing Global Competitiveness.** By aiding businesses in improving their capabilities and market presence, incentives enhance the region's competitiveness on the global stage.
- **Promoting Growth and Welfare.** A flourishing business landscape translates into improved welfare for citizens, enabling social development and better living standards.
- **Reducing Crime.** Economic opportunities generated through incentives can alleviate poverty and unemployment, contributing to lower crime rates and safer communities.
- **Improving Community Reputation.** A vibrant business environment enhances the reputation of a city or county, attracting investment dollars, visitors and residents, and fostering a positive image.
- **Redevelopment of Key Neighborhoods.** Targeted geographic incentives can facilitate the revitalization of neglected neighborhoods, bringing renewed life to struggling parts of town.
- **Encouraging Regional Cooperation.** Subsidies can incentivize businesses to collaborate with regional partners, fostering cooperation and the development of strategic clusters.

The Economic Case: Why Small Businesses Deserve the Same Tax Breaks as Amazon

When most people think of economic incentives they associate it with the parade of towns bending over backward to attract Amazon’s second headquarters (“HQ2”). Crystal City, Virginia, had a huge win when it won the right to host Amazon’s second headquarters in 2017. With the promise of tens of thousands of new jobs, the region had reason to celebrate. Amazon, of course, benefited from some rather sizable economic incentives offered by the region. It is no secret that governments across the country regularly devote significant resources to attract big contracts with entities like Amazon. Phase 1 of construction opened in June 2023 and is starting to be populated by high-wage workers.

While large contracts grab headlines, states and municipalities should not forget about the economy's true drivers—small to medium-sized businesses. Software and technology can now be used to make these programs much more accessible and scalable beyond a handful of megaprojects. When making decisions on economic incentives and deciding how to structure these programs, states and municipalities need to remember that SMBs can do as much if not more to drive regional economies. Focusing economic incentive programs on small- to medium-sized businesses can show significant returns in the long term.

SMBs Are A Major Source Of Employment

Since the start of the COVID-19 pandemic there has been a massive explosion in new business formation and this trend shows now signs of slowing.

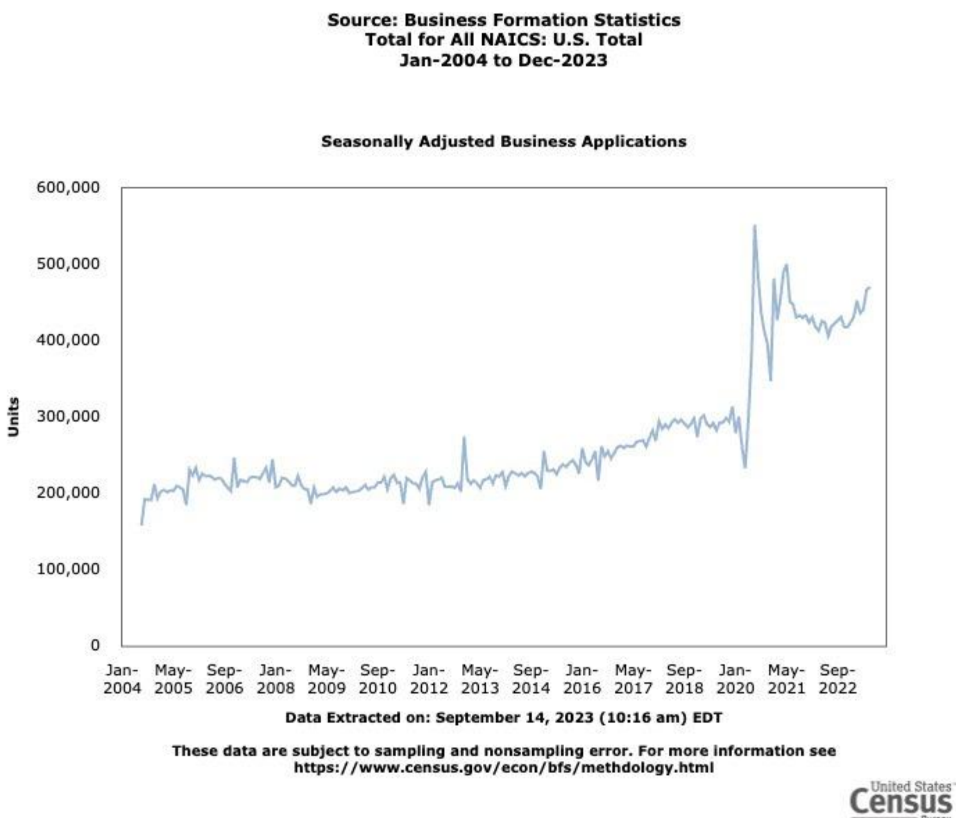

Figure 1: Seasonally Adjusted Total Business Formation Statistics, US 2004-2023

SMBs Drive A Large Percentage Of The Economy

While 10,000 new jobs is a coup for any regional economy, the truth is that SMBs are the most significant employers from the local to the national level. According to the 2020 census, firms with fewer than 500 employees account for 99.7 percent of the 5.6 million employer firms in the US. The same data also tells us that SMBs accounted for two-thirds of net new jobs in the US.[6]

Small to medium-sized businesses account for nearly 50 percent of the private non-farm GDP and are the majority when it comes to exporting goods. SMBs account for 98 percent of exported goods and 33 percent of export value.[7]

SMBs Are Leading The Charge On Diversity

Diversity is increasingly important in today's marketplace. SMBs are leading the charge when it comes to employing a more diverse workforce. Employing a diverse workforce is not a matter of optics, either. Diversity produces results. In fact, diversity drives better performance, according to a recent McKinsey study:[8]

- "Companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians."
- "Companies in the top quartile for gender diversity are 15 percent more likely to have financial returns above their respective national industry medians."
- "Companies in the bottom quartile both for gender and for ethnicity and race are statistically less likely to achieve above-average financial returns than the average companies in the data set (that is, bottom-quartile companies are lagging rather than merely not leading)."

SMBs Are Eternal Optimists

This is a more nuanced issue, but one that is still relevant. SMBs continue to manifest a well-documented optimism about the economy.[9] One could even argue that SMBs are optimistic by definition. After all, SMBs are driven by entrepreneurial ambition and spirit.

When the goal with economic incentives is for states and municipalities to encourage behaviors that drive economic growth and prosperity, what better way to do that then encourage the very people who are optimistic about the economic future?

Given this data, it is a wonder that more states and municipalities are not putting more effort into attracting SMB involvement in economic incentive programs. By offering SMBs the same tax breaks as Amazon, states and municipalities can drive the kind of true economic growth they hope for via economic incentives.

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[6] "Frequently Asked Questions about Small Business." 2012. https://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf.

[7] "Small Business | United States Trade Representative." n.d. Ustr.gov. https://ustr.gov/issue-areas/small-business.

[8] Hunt, Vivian, Dennis Layton, and Sara Prince. 2015. "Why Diversity Matters." McKinsey & Company. January 1, 2015. https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters.

[9] "Small Business Economic Trends | NFIB." 2013. NFIB. 2013. https://www.nfib.com/surveys/small-business-economic-trends/.

Advanced Economic Principles Underlying Government Incentives

An industry's production doesn't unfold in isolation. Instead, it's interwoven with other sectors through "backward linkages" and "forward linkages." Backward linkages reveal how one industry's output relies on the products and services of others. Imagine the production of an automobile. This endeavor involves a complex web of dependencies on suppliers from diverse industries—those who craft tires, fashion glass for windshields, and forge steel for frames. Forward linkages manifest when the income earned by those workers engaged in automobile production flows into various sectors like hair salons, daycare, restaurants, retail outlets, and other goods and services.

Industries that are heavy consumers of raw materials stand as pillars supporting their suppliers. When an automobile factory ceases its operations, a domino effect occurs—suppliers in the rubber, glass, and steel sectors feel the reverberations, as their demand wanes. Similarly, industries that generously compensate their workforce play a pivotal role in sustaining downstream industries. Suppose a manufacturing plant with high wages closes its doors. The impact echoes not only through the factory itself, but also in the surrounding eateries, malls, and service providers that once thrived on the patronage of the workers.

How do we measure the intensity of these linkages? We have two key methods. The first method envisages the direct loss of jobs within an industry—to standardize, say, a hundred jobs—and observe the ensuing ripple effects, both backward and forward. The second method examines the monetary value of the demand for an industry's output and scrutinizes how much of this value resonates within backward-linked and forward-linked sectors. Let's say demand for widgets decreases by $1 million. What impact will that have on the regional economy? What's more detrimental, when a factory with 200 employees goes out of business or a shopping center with 200 employees shuts its doors?

Companies like IMPLAN and REMI (Regional Economic Models) provide economic modeling software that economic developers use to quantify specific projects, prospective businesses moving to a region, and business openings or closings will ripple forward and backward through sectors. The Economic Policy Institute and other organizations publish regular studies of the job multipliers by industry and the direct and indirect impact of growth or decline in various sectors.

Multiplying Effects

The reason that most incentives are geared towards manufacturers, exporters, and high-paying, advanced industries like life sciences or technology firms is because their job multipliers and economic impacts are much more quantifiable than main street outlets like coffee shops, bakeries, and restaurants.

In the tables that follow, you can see the top sectors for forward- and backward-linking impacts. Utilities, manufacturing, and real estate are rich in economic incentives. It might surprise you to see arts, entertainment, and recreation in the top three for total indirect jobs estimates in Figure 3. The forward linkages of a film set should clear that up: envision the swarm of actors, extras, production, and support staff on site each day of a shoot. Then consider other requirements: set-building, equipment rental, costume sourcing, catering, lodging, and bar and restaurant attendance. Beyond the direct economic impact, the TV show or film will likely be exported all over the world, so there is the potential to drive tourism and curious locals to the area where it was shot. Knowing what you know about the economic principles of incentives, hopefully it won't surprise you to learn that tax credits for TV and film production are some of the biggest state-level programs.

Figure 2: Employment multipliers per 100 direct jobs, by major private-sector industry group[10]

Major Industry Group	Direct Jobs	Supplier Jobs	Induced Jobs	Total Indirect Jobs
Agriculture, forest, fishing, and hunting	100	93.6	134.8	228.5
Mining	100	224	166	390
Utilities	100	515.4	442.2	957.7
Construction	100	88	138.1	226.1
Durable manufacturing	100	289.1	454.9	744.1
Nondurable manufacturing	100	184.8	329.5	514.3
Wholesale trade	100	107.3	128	235.3
Retail trade	100	46.7	75.4	122.1
Transportation and warehousing	100	112.8	163.3	276
Information	100	252	321.1	573.1
Finance and insurance	100	149.7	214.7	364.4

[10]Bivens, Josh. 2019. "Updated Employment Multipliers for the U.S. Economy." Economic Policy Institute. January 23, 2019.
https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/.
Economic Policy Institute, State of Working America Data Library, "Updated Employment Multipliers for the U.S. Economy." 2019.
EPI analysis of data from the Bureau of Labor Statistics (BLS) Employment Requirements Matrices, the BLS Current Employment Statistics program, and the Bureau of Economic Analysis GDP-by-industry accounts

Real estate and rental leasing	100	396.6	483.1	879.7
Professional, scientific, and technical services	100	142.1	276.2	418.3
Management of companies	100	144.4	255.4	399.9
Administrative and support services and waste management	100	45.5	89.1	134.5
Educational services	100	63.8	129.9	193.7
Health care and social assistance	100	69.4	136.2	205.6
Arts, entertainment , and recreation	100	123.3	255.2	378.5
Accommodation and food services	100	53.8	107.4	161.2
Other services (except public administration)	100	70.7	139.6	210.3

Figure 3: Employment multipliers per $1 million in final demand, by major private-sector industry group[11]

Major Industry Group	Direct Jobs	Supplier Jobs	Induced Jobs	Total Indirect Jobs
Agriculture, forest, fishing, and hunting	5.9	5.4	4.8	10.1
Mining	1.3	3.4	2.5	5.9
Utilities	1	4.5	5.9	10.4
Construction	5.5	4.8	6.1	10.9
Durable manufacturing	1.8	4.9	11.6	16.5
Nondurable manufacturing	2.6	4.3	10.4	14.7
Wholesale trade	3.8	4.1	4.3	8.4
Retail trade	9.9	4.6	6.1	10.6
Transportation and warehousing	4.7	5.4	6	11.3
Information	2	4.5	6.4	10.9
Finance and insurance	3.1	4.7	6.2	10.8
Real estate and rental leasing	1.4	5.4	17.2	22.6

[11]Bivens, Josh. 2019. "Updated Employment Multipliers for the U.S. Economy." Economic Policy Institute. January 23, 2019. https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/.
Economic Policy Institute, State of Working America Data Library, "Updated Employment Multipliers for the U.S. Economy." 2019.
EPI analysis of data from the Bureau of Labor Statistics (BLS) Employment Requirements Matrices, the BLS Current Employment Statistics program, and the Bureau of Economic Analysis GDP-by-industry accounts

Professional, scientific, and technical services	4.3	4.8	10.4	15.3
Management of companies	3.6	5.2	7.2	12.4
Administrative and support services and waste management	10.6	5	8.1	13.1
Educational services	9.1	5.4	9.2	14.6
Health care and social assistance	7.8	5.3	8.2	13.5
Arts, entertainment, and recreation	6.5	6.5	16	22.5
Accommodation and food services	11.5	6.3	7	13.2
Other services (except public administration)	8.7	5.3	8.7	14

Strategic Clusters

In the lead-up to World War II, the US government established key points on the West Coast perimeter—Seattle, San Francisco, and Los Angeles—as centers of the nascent aerospace and defense (A&D) industry. Over 75 years later, these areas *still* boast a robust A&D sector, from Boeing in Washington to SpaceX and the thousands of aerospace suppliers in Southern California.

With the CHIPS and Science Act, the US government once again waded into industrial policy by providing for investment in the research and development of cutting edge semiconductor technology up and down the supply chain for national security reasons and global competitiveness. There is sound academic research and historical data to support this strategy. Many examples have demonstrated the effectiveness of industry clusters—groups of firms that gain a competitive advantage through local proximity and interdependence.

The Brookings Institution laid out the following five traits of successful cluster initiatives:[12]

1. **Focused on establishing a robust ecosystem**, not quick job gains. Cluster initiatives must be focused on establishing a robust and regenerating ecosystem that produces the innovation, talent, and economic opportunities that firms need to thrive. These initiatives must first and foremost be about the growth and competitiveness of existing firms in the cluster (as well as the needs of related entities, like academic institutions), and not just about job growth.
2. **Industry-driven, university-fueled, government-funded.** The strongest cluster initiatives are private sector-driven, with interventions catalyzed by groups of firms that believe they will benefit by working collectively to fill gaps in staff and the cluster

[12] "Rethinking Cluster Initiatives." n.d. Brookings. https://www.brookings.edu/articles/rethinking-cluster-initiatives/.

ecosystem with industry expertise and a collaborative mentality. Research universities provide needed innovation and talent, and public investment is critical. Federal, state, and local governments have made major investments to support each cluster initiative and give it early credibility.

3. **Placing a collective big bet on a unique opportunity.** The most successful cluster initiatives are in regions willing to place strategic bets on distinct cluster opportunities. These places have a long-term mindset and are unafraid to "pick winners" from the broad array of potential alternatives. They recognize that resources are scarce, competition is high, and the only way to distinguish themselves is by funneling their energy and investment into a limited number of truly unique specializations.
4. **Championed by passionate, dedicated leaders.** Individual leaders have proven invaluable in championing each successful cluster initiative. These leaders typically emerge from businesses operating within the sector, driven by a clear vision and purpose, and/or are CEOs of the lead cluster organizations. They are thought leaders who recognize a unique opportunity, have crafted a compelling narrative, and are willing to dedicate the time needed to launch and sustain a bold cluster initiative.
5. **Anchored by a physical center.** Most of the cluster initiatives profiled have created a physical center to serve as visible proof that the region is a major hub for the cluster and to provide a space that facilitates knowledge spillovers between firms, academic researchers, and related enterprises. While companies and assets involved in the cluster are often scattered throughout each region, these centers tie them together. These centers may take the form of a single building, an urban district, or a suburban campus. One note of caution: Though real estate development can play an important role in cementing a cluster that is already robust, it cannot create a cluster.

Make sure to educate yourself on the strategic clusters in your area. There are typically incentives attached to certain sectors, so it would be well worth identifying the local strategic clusters and familiarizing yourself with where your client's types of firms are comparatively valued in America. Did you know that Connecticut has several programs to help animation studios? And Georgia is currently offering some of the largest film production tax incentives in the country?

Comprehensive Plans

How do you find information about the strategic industries in your area? The comprehensive plan, sometimes called a master plan or a general plan, is the foundational document of long-term planning and zoning in the United States. Two laws from the 1920s created the legal framework for comprehensive plans—the Standard Zoning Enabling Act and the Standard City Planning Enabling Act. Each state provides further mandates and recommendations about the necessary components of comprehensive plans.

Every city and county in America, and nearly every village and town, has a comprehensive plan that inventories its key resources, population, and other statistics. These plans present goals and policies with implementation strategies for achieving the vision of the locality. These plans are where the strategic sectors and incentives to support those areas are laid out.

A comprehensive plan also contains a map of future land use for an entire planning jurisdiction like a town, city, or county, addressing all of the physical elements in the area over a time horizon between 10–30 years (typically 20 years). These maps are updated at least every decade based on new census data, changing information, and the emerging strengths and weaknesses of the area.

Measuring Results

Designing and managing economic incentive programs is complex and dynamic. Under these conditions, the best governments are: 1) intentional with their comprehensive plan and economic development goals; 2) clear on their strategy for incentivizing certain employers and behavior; 3) specific on the scorecard they will use to measure the results; and 4) consistent with the timing used to revisit which programs are working as intended, which should be sunset, and which ones should evolve.

A good example of this is the Joint Legislative Audit and Review Commission in Virginia (JLARC). The Virginia General Assembly grants JLARC the responsibility for evaluating the state's economic development incentives—grants, tax credits, sales tax exemptions, and other incentives.

JLARC staff evaluate spending on incentives, achievement of required business activity in return for them, economic benefits to Virginia of total incentive spending, and the effectiveness of incentives in influencing business activity. These reports are required each year and published publicly. They can be a great source of intelligence about which programs companies are taking advantage of and thus, which incentives you might want to consider for your clients. Not every state and municipality has an oversight committee or performs rigorous analysis, but many do. By definition, these studies are posted publicly online and searchable if they exist.

Below are the executive summary bullets from JLACR's "Report to the Governor and the General Assembly of Virginia Economic Development Incentives 2022" so you can see what information was presented to the Virginia legislature to inform future incentives. You can read the full report via the link provided.[13] We point it out as a salient example representing state and municipality thinking.

- Virginia spent $3.2 billion on 87 economic development incentive programs from FY12 to FY21. This amounts to 1.6 percent of total general fund spending during this time. Total spending on incentives was $400 million in FY21. Incentive spending has increased since FY16 because of increased spending for the data center exemption and several other relatively new incentives.
- Seventy-two percent of incentive spending was for tax incentives such as sales and use tax exemptions ($1.6 billion), tax credits, and single sales apportionment for manufacturers and data centers ($650 million). The remaining 28 percent was spent on grants ($905 million) and other incentives such as loans and gap financing programs ($36 million).
- Economic benefits, such as increases in employment, gross domestic product, and personal income, vary widely by type of economic development incentive program.
- Grant programs have substantially higher economic benefits than tax incentives, when benefits are assessed per $1 million spent. Tax credits, in particular, have the lowest economic benefits and are ineffective in generating economic benefits for the state compared with grants. However, Virginia has historically spent more on tax incentives than on grants.
- Grant programs have higher economic benefits because they are typically discretionary, require strict performance outcomes, and target projects in export-based industries that pay high wages and have high employment multipliers.
- Collectively, grant programs awarded $1.9 billion to 5,000 projects between FY12 and FY21. Grant awards have been relatively stable over time except for a substantial increase in FY19 primarily due to the $750 million custom grant award for Amazon HQ2.
- Less than half of the $1.9 billion in grant awards was paid or 'spent' between FY11 and FY20 because nearly $900 million in custom awards for Amazon HQ2 and five other companies are not scheduled to be paid until after FY21. Grant spending, and thus total incentive spending, will increase substantially as these custom grant awards are paid.
- Completed projects receiving grant funds created nearly 70,000 jobs and over $17 billion in capital investment or other spending. The majority of these projects met their capital investment goals, but only one-quarter met their job creation goals.

Figure 4: Ten Virginia Incentives are Responsible for Two-Thirds of Spending (FY12-FY21)

10-year period (FY2012 - FY2021)

[13] "Economic Development Incentives 2022 Spending and Performance Report to the Governor and the General Assembly of Virginia." 2022. https://jlarc.virginia.gov/pdfs/reports/Rpt572-1.pdf.

Incentive		Spending $M	% of Spending
Data Center Exemption		$ 1,014M	31%
Railroad Common Carriers Exemption		206	7
Coalfield Employment Enhancement Tax Credit		187	7
Manufacturers Single Sales Apportionment		164	5
Commonwealth's Opportunity Fund		146	5
Real Property Investment Grant		109	4
Airline Common Carriers Exemption		95	4
Virginia Coal Employment and Production Incentive Tax Credit		91	3
Tobacco Region Opportunity Fund		89	3
Tobacco Region Megasite Grant		72	3
	Subtotal	**$ 2,172M**	**67**
	All others	$ 1,052M	33
	TOTAL	**$ 3,224M**	**100**

Now that you know more about why incentives are offered, what types of categories they fall under, and how they are evaluated, in the next chapters we will demystify the overall size of the various incentive types and how to start applying for them.

Chapter Two
How Much Money is Available and How Do My Clients Access It?

Estimating Total Incentives for Businesses Across the United States

Because of the fragment nature of local, state, and federal incentives there is no clear number of programs or total dollars awarded. In spite of this, we can still get fairly good estimates by triangulating across a few different sources.

Source 1: The New York Times

New York Times' reporters Louise Story, Tiff Fehr, and Derek Watkins spent 10 months investigating business incentives awarded by hundreds of cities, counties, and states in 2012 and found 1,874 programs with $80.4 billion in yearly incentives. This is equivalent to over $100 billion in today's dollars.[14]

The Times used a variety of sources to assemble an extensive database of local spending on business incentives. The reporters submitted over 100 records requests to state agencies nationwide and conducted deep examinations of numerous government reports.

The total dollar figure that resulted from the Times' research included incentives of many types: cash grants, corporate income tax credits, sales tax exemptions or refunds, property tax abatements, low-cost loans or loan guarantees and free services like worker training. The database does not reflect the savings businesses receive in states with minimal or no corporate income tax or sales tax.

Source 2: U.S. Department of the Treasury, Office of Tax Analysis

The Congressional and Impoundment Control Budget Act of 1974 (Public Law 93–344) requires that a list of "tax expenditures" be included in the budget. Tax expenditures are defined in the law as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."

In 2021, the Congressional Budget Office issued "The Distribution of Major Tax Expenditures in 2019." Buried deep in the appendix of the annual report is the budget office's projected loss of income tax receipts over the next 10 years. Most of the largest forecasted

[14] Story, Louise, Tiff Fehr, and Derek Watkins. n.d. "Explore Government Subsidies." Www.nytimes.com. Accessed September 14, 2023.
https://archive.nytimes.com/www.nytimes.com/interactive/2012/12/01/us/government-incentives.html.

revenue impacts relate to individual taxpayers regarding healthcare, pensions and retirement savings, capital gains and dividends, and child and earned income tax credits.

Figure 5 presents the reports' forecast of all revenue impacts by business-related tax categories in 2021 and 2022 and from 2022-2031. The sum total of all impacts is projected to be $666.4 billion over the 10-year period or roughly $66 billion a year. Since the report focuses solely on federal projected *income tax* revenue losses, to arrive at an estimated *total* yearly incentive figure, other deductions, abatements, fee waivers, loans, rebates, cash reimbursements, and other state and local incentives would be added to the federal yearly average and substantiate our estimate of $100 billion per year in total incentives for business.

Figure 5: Income Tax Expenditures Ranked by Total Fiscal Year 2022–2031 Projected Revenue Effect

FISCAL YEAR 2022-2031 PROJECTED REVENUE EFFECT

(in millions of dollars)

Provision	2021	2022	2022-31
Credit for increasing research activities	18,520	20,400	272,070
Credit for low-income housing investments	8,900	11,280	109,260
Expensing of research and experimentation expenditures (normal tax method)	-1,580	-760	94,310
Energy investment credit	6,360	7,210	59,980
Energy production credit	5,290	5,220	52,930
Carbon oxide sequestration credit	460	580	20,130
New markets tax credit	1,140	1,170	11,440
Work opportunity tax credit	1,690	1,780	10,290
Employer provided child care exclusion	420	530	9,770
Tax incentives for preservation of historic structures	610	580	9,170
Credit for residential energy efficient property	2,590	2,200	4,460
Tax credits for clean-fuel burning vehicles and refueling property	450	580	4,010
Marginal wells credit	250	270	3,610
Credit for construction of new energy efficient homes	370	280	1,570
Allowance of deduction for certain energy efficient commercial building property	210	140	1,280
Empowerment zones	130	90	660
Employee retention credit	160	160	580
Employer-provided child care credit	20	20	250
Indian employment credit	70	50	230
Credit for energy efficiency improvements to existing homes	240	120	120
Credit for disabled access expenditures	10	10	100
Credit for employer differential wage payments	0	0	90
Bio-Diesel and small agri-biodiesel producer tax credits 2/	40	40	60
Credit for employee health insurance expenses of small business	40	30	50
		Total Business Related	666,420

Source 3: Estimates of State and Local Economic Incentives

To get a sense of annual state and local spending on targeted economic development subsidies, we looked at the following studies:

- $30 billion—tax-related subsidies only (Slattery and Zidar, 2020)[15]
- $16 billion—includes state-only, investment-motivating subsidies (Thomas, 2019)[16]
- $45 billion—only considers export-base industries and does not include tax increment financing subsidies (Bartik, 2017)[17]
- $70 billion—Kenneth Thomas's estimate of total state and local subsidies using state program data from 2005 from his 2011 book *Investment Incentives and the Global Competition for Capital*. His estimate of total subsidies is the most comprehensive. Adjusting for inflation, it is equivalent to $95 billion in 2020 dollars. Thomas's 2019 research reanalyzed the data in the 2012 article in *The New York Times* to correct for mischaracterized expenditures. In personal correspondence, he stated that the $41.2 billion total state and local subsidies presented in the *Times* article appears to be the sum of the estimated $16 billion in state-provided, investment-motivating subsidies, combined with an assumed equivalent amount of local subsidies, as well as another $9.2 billion in other forms of state subsidies. This estimate is equivalent to $48.2 billion in 2020 dollars, adjusting for inflation. However, Thomas argues that his 2019 research underestimates total subsidy spending because *The New York Times* data lacks cost estimates for multiple subsidy programs. Therefore, the research in Thomas's 2011 book remains the most comprehensive estimate of total annual spending by state and local governments on subsidies.[18]

Taxonomy of Incentive Types

The Two Major Types Of Government Incentives: Legislated Vs. Discretionary

Individual government incentive programs fall into two major categories: legislated or discretionary. Companies qualify for legislated incentives, also called statutory incentives, as long as they check the boxes to meet the eligibility requirements. Examples of legislated incentives include the Credit for Increasing Research Activities (R&D) or the Employee

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[15] Cailin Slattery and Owen Zidar, "Evaluating State and Local Business Tax Incentives," Journal of Economic Perspectives 34, no. 2 (2020): 90–118

[16] Kenneth Thomas, "The State of State and Local Subsidies to Business" Mercatus Policy Brief, Mercatus Center at George Mason University, Arlington, VA, October 2019)

[17] Timothy J. Bartik, "A New Panel Database on Business Incentives for Economic Development Offered by State and Local Governments in the United States," (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, February 2017)

[18] Kenneth Thomas, Investment Incentives and the Global Competition for Capital (London: Palgrave Macmillan, 2011); Kenneth Thomas, "Estimates of Total State and Local Subsidies."

Retention Tax Credit (ERTC). We estimate that 80% of the total incentive dollars fall into the legislated category.

Discretionary programs, however, involve the approval of a committee or an elected official. These incentives are never guaranteed, even if you check all the boxes. Examples of discretionary programs include the Texas Enterprise Fund, the California Competes Tax Credit or the many grant programs.

Grants and Other Discretionary Incentives

All grants fit into the category of discretionary programs. Grants represent a type of non-dilutive funding provided by the government or private entity that recipients are not required to pay back. This characteristic makes them particularly attractive.

Government grant funding serves as an essential economic tool to financially support ideas, projects, and businesses aiming to create social and public value. When seeking grant funding, it is crucial to recognize that this type of capital typically relies on goods or services providing a societal benefit. In private grant funding, the use of funds is at the sole discretion of the grant funder.

Projects situated in core urban districts, "energy communities" within or adjacent to a census tract with a coal mine closure, specific corridors and business districts in municipalities targeted for redevelopment, or in areas with an area median income (AMI) below the state or national average, all might be strong potential candidates for grant programs. It is vital to consider economic incentives, tax credits, and grants in the early planning stages as the incentive requirements might necessitate commercial real estate developers to pivot aspects such as project design, timeline, density, lot, or energy efficiency standards to unlock eligibility for programs that make the development financially viable.

Grant funding can be an important part of the capital stack, especially for real estate developers. “Stacking” incentives is almost the sole method to get the numbers to pencil out on certain projects or in specific locations. Many economic incentives and tax credits are allowed to be utilized simultaneously and are intended to bridge the gap between market-rate properties and those that need assistance to meet financial return hurdles. New Markets Tax Credits, Enterprise Zones, Low Income Housing Tax Credit, Opportunity Zones, 179D, and 45L are all tools to be utilized, along with grants if there is a social benefit story around a multi-family development, student housing, affordable housing, senior living facilities, cultural centers like museums and theaters, or other commercial developments that fill an important need in a community.

Negotiated incentives are not published publicly and are worked out directly with the state and local taxing authorities. There are economic development organizations (EDOs) in every city (over a certain size), county, and state tasked with business attraction, retention, and expansion. Tax abatements, tax credits, and other packages can be worked out with the local taxing authorities if the economic case of job creation can be supported and carried out. Engaging a lobbying firm or advocacy group may enhance the chance of success for grants other discretionary incentives.

Examples of Agencies and Organizations with Grant Offerings

There are almost as many types of grants as there are agencies and philanthropic organizations, each with its own window for application, timeline for decision, and award criteria. There are also numerous grant-writing services and professionals that specialize in specific programs, sectors, or client-types. While many business owners seek grant funding, assuming that all government incentives take this form, grants constitute the smallest portion of the overall government incentive pie and are, not surprisingly, highly competitive.

At the time of this writing, there are 700 open grants for small businesses listed on grants.gov. While most agencies have some form of grant program, we will detail three most relevant to the small and medium-sized businesses you work with.

SBIR/STTR - $3.3B+

The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are highly competitive grant programs that encourage domestic small businesses to engage in Federal Research/Research and Development (R/R&D) with the potential for commercialization. The 1982 SBIR act requires federal agencies with R&D budgets of $100 million or more to set aside a portion of these funds to finance an agency-run SBIR program. As of 2021, 11 federal agencies operate SBIR programs.

A complementary program, the Small Business Technology Transfer (STTR) program, was created by the Small Business Research and Development Enhancement Act of 1992 to facilitate the commercialization of university and federal R&D by small companies.

Central to the STTR program is the partnership between small businesses and nonprofit research institutions. The STTR program requires the small business to formally collaborate with a research institution in Phase I and Phase II. STTR's most important role is to bridge the gap between performance of basic science and commercialization of resulting innovations. Agencies with R&D budgets of $1 billion or more are required to set aside a portion of these funds to finance an agency-run STTR program. As of 2021, five federal agencies operate STTR programs.

In FY2019, agencies awarded $3.3 billion in SBIR funding. DOD and the Department of Health and Human Services (HHS) accounted for more than three-fourths of SBIR funding in FY2019.

USDA Grants - $10B+

In addition to the evergreen programs offered through the USDA for rural and agricultural businesses in the United States, the Inflation Reduction Act authorized a large increase in spending with several programs issuing grants.

1. Up to $500 million in Rural Business-Cooperative Services grants for infrastructure improvements to blend, store or distribute biofuels. This includes installing, retrofitting or upgrading dispensers for ethanol at retail stations as well as home heating oil distribution centers.
2. Up to $9.7 billion for Rural Utility Service to offer loans, grants, loan modifications and other financial assistance to support the purchase of renewable energy systems, zero-emission systems and carbon capture systems. Funding also may be used to deploy these systems or to make energy-efficiency improvements to generation and transmission systems of eligible entities.
3. $1.4 billion in grants and cooperative agreements to support the Agriculture Conservation Easement Program (ACEP), which helps landowners, land trusts, and other entities protect, restore, and enhance wetlands or protect working farms and ranches through conservation easements and long term contracts.
4. $100 million in grants to support the participation of forest landowners who own less than 2,500 acres of forestland in emerging private markets for climate mitigation or forest resilience.
5. $150 million in grants to assist underserved forest landowners in carrying out climate mitigation or forest resilience practices.

DOE Grants - $6B+

In March of 2023 the Biden-Harris administration announced $6 billion in matching grant funding available to reduce industrial emissions and finance large decarbonization projects. $430 million from the Bipartisan Infrastructure Law and $5.46 billion from the Inflation Reduction Act will be combined with more than $6 billion in projected private sector cost share.

These funds will be managed by The Office of Clean Energy Demonstrations (OCED), in collaboration with the Office of Manufacturing and Energy Supply Chains (MESC) and the Industrial Efficiency and Decarbonization Office (IEDO).

Additionally, $1 billion in grants was authorized to assist states and local governments to (1) adopt and implement codes for residential buildings that meet or exceed the 2021 International Energy Conservation Code; and/or (2) adopt and implement a building energy code for commercial buildings that meet or exceed the ANSI/ASHRAE/IES Standard 90.1–2019.

Private Philanthropy

The Bill & Melinda Gates Foundation is the largest grant-giving philanthropy organization in the world with an estimated $4.2 billion in annual giving globally. Foundation Source, the nation's largest provider of foundation management services, publishes an annual survey.[19] The 980 private foundations in the latest report made a total of 31,373 grants in 2022 representing $865 million in charitable aid. This is a 7.1% increase in grants and 14.7% increase in dollars granted over the prior year.

Triggers For Incentives

Before you get overwhelmed seeing the giant list of incentive types in the following section, the main thing you should keep in mind for your clients are the four ways that these programs are typically triggered:

1. **Hiring human beings.** The better-paying these jobs are, the more they represent the workforce in their community, and the clearer the path from entry-level to middle- or senior-level work, the better.
2. **Purchasing equipment.** The higher the spend and the more advanced the machinery, the better.
3. **Investment in real estate, energy-efficiency, or tangible assets.** The exact location, area median income, and narrative for how this benefits the community all matter.
4. **The threat to downsize or move jobs**, future equipment purchases, or capital spending to other states or countries can trigger the same effect.

Taxonomy Of Incentives

We searched for an index of incentive types, but to our knowledge, no such organization system has ever existed. As part of our effort to digitize all local, state, and federal programs at Subcity, we've developed a taxonomy of incentives that categorizes these programs into understandable classifications.

[19] Foundation Source. (2023). 2023 Report on Private Philanthropy: Giving and Investment Trends within Private Foundations. In *https://foundationsource.com/resources/reports-surveys/2023-report-on-private-philanthropy/*.

I. TAX CREDITS

- Tax credit
- Tax deduction
- Tax abatement
- Excise tax
- Tax exemption
- Tax deferral
- Sales tax abatement

II. LOAN

- Revolving loan
- Infrastructure loan
- 501c3 bonds
- Loan guarantee
- Tax increment financing (TIF)
- Utility financing
- Energy efficiency equipment financing
- Industrial development financing
- Disaster relief loan guarantee
    - Physical damage
    - Mitigation assistance
    - Economic injury (EIDL)
    - Military reservist loan

III. GRANT

- Cash grant
- Microgrant
- Stipend
- Performance based grants
- Forgivable grants
- Job training grants
- Energy efficiency utility program

IV. FEE WAIVER

- Permit waivers
- Impact assessment waivers
- Utility connection permit waiver
- Reduced infrastructure fees

- Fee exemptions
- License fee waiver
- Sewer and traffic fee deferral
- Admin and processing fee waivers
- Public facilities fees
    - City Office Space
    - Water Supply System
    - Fire Station
    - Library
    - Police
    - Street Improvements
    - Water Utility Connection
    - Wastewater Connection
    - Agricultural and Air Quality Mitigation Fees

V. DISCOUNTS

- Rebates
- Reimbursements
- Vouchers

VII. BUSINESS ASSISTANCE

- Mentoring
- Research
- Expedited permitting process
- One stop permitting
- Certification of status (disabled, MWOB, etc)
- Energy audit
- Project facilitation
- Recruitment assistance
- Site availability selection
- Procurement and bid opportunities
- Public library resources

VIII. Real Estate

- Government real estate / city owned land lease
- Utility real estate agreements
- Rent abatement
- Property tax abatement
- Personal property tax abatement

Where to Apply for Government Incentives: Tax Credits, Grants and Other Financing Options

With the right resources and a bit of due diligence, you can find and apply for economic incentives at the municipal, state, and federal levels. This chapter will provide an overview of where to look.

The Small Business Administration

The Small Business Administration (SBA) is a great resource for businesses looking for federal grant and loan programs. SBA.gov maintains a list of funding options and also has a wide array of business resources for SMBs. They also have a local resource tab that can help you find regional and district offices working under the auspices of this federal administration.

Your State's Office of Business Development

A State's Office of Business Development or Department of Economic Development is there for a reason—to help businesses succeed. Google search for your state's version of these departments. A good starting place can be your state's ".gov" site as well, which will doubtless have a tab or link dedicated to their business services.

The City's or County Office of Business or Economic Development

Depending on size, your city or town may have its Office of Business Development or Department of Economic Development. Counties, too, often have such departments you can leverage for information and resources. Again, start by searching online using your local city or county's name with a term such as "office of business development." These sites can be treasure troves for small businesses. At the least, you will find a number of business resources in addition to financing and grant options, including mentoring, tutorials, and information on local business development centers.

America's Small Business Development Center

The SBDC is the most comprehensive small business assistance network in the United States and its territories. SBDCs are hosted by leading universities, colleges, state economic development agencies, and private partners and funded in part by the United States Congress through a partnership with the U.S. Small Business Administration. Nearly 1,000 local centers are available to provide no-cost business consulting and low-cost training to new and existing businesses. Find your SBDC: https://americassbdc.org/find-your-sbdc/

Minority-Driven Funding and Grants

If a business is women-, veteran-, or minority-owned, it is worthwhile to research grants and loan programs that focus on aiding these owners. More and more funding around the country is funneling toward women and minority-owned businesses, as diversity has proven to be productive and lucrative for enterprises.

The Application Process

Documenting the incentive application process carefully and closely tracking its progress is essential. Many businesses have failed to receive incentive dollars because of a small slip-up or forgotten detail in the application. Regional or state business office staff usually have helpful advice. Leverage their websites as well.

Investing In Growth With Incentives

Running a small business is challenging, even in the best of times. For growing companies, economic incentives and tax credits are an often underutilized or forgotten element of an operational growth plan. The triggers for these incentives usually involve hiring, equipment purchasing, and investment in real estate or tangible assets. If businesses are experiencing real growth and productivity, a cascading effect can occur when sophisticated business owners layer incentives on top of one another. For example, when buying or leasing a new facility to house new equipment and additional product or service lines, new staff may be hired and training on the new equipment may be necessary. Each action has potential incentives that can be applied for and secured.

Let's look at a specific example. Founded in 2013, Dr. Squatch employs nearly 300 individuals at their California locations of Rancho Dominguez and Marina Del Rey. As a community-oriented producer of natural personal care products, the company has donated nearly 2.3 million bars of soap through its partnerships with different organizations. In April 2022 the company was awarded a $10M tax credit through the California Competes program which will allow it to remain competitive and grow in the state. Over the coming years they will expand into an additional massive facility, hire hundreds of employees, and invest in equipment and tangible assets. All of these actions have potential associated incentives that are worth exploring.

Three Concrete Actions And Three Insider Tips To Take TODAY

Three actions to take today:

1. **Review the five most popular federal programs** with your client to ensure you are taking advantage of them if they are relevant.

- **Work Opportunity Tax Credit (WOTC).** A Federal tax credit available to employers for hiring and employing individuals from certain targeted groups who have faced significant barriers to employment. For more information: https://www.irs.gov/businesses/small-businesses-self-employed/work-opportunity-tax-credit
- **R&D Tax Credit.** The R&D Tax Credit was created to incentivize companies across multiple industries to keep high-tech jobs in the United States. Companies can claim employee wages, supplies and raw materials, computer rental costs, and third-party contractor expenditures incurred throughout the R&D process. More information: https://www.irs.gov/businesses/research-credit
- **Employee Retention Tax Credit.** A federal refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays employees after March 12, 2020, and before Sept 30, 2021. Businesses that meet the requirements and are eligible for both 2020 and 2021 could be looking at up to $26,000 per employee ($5,000 for 2020 & $21,000 for 2021). More information: https://home.treasury.gov/system/files/136/Employee-Retention-Tax-Credit.pdf
- **Employee Training Dollars and Sales and Use Tax Exemptions.** Depending on the state, millions of dollars are typically allocated to reimburse for training and upskilling manufacturing employees. There are also exemptions for sales and use tax in the purchase of equipment used in the manufacturing process.
- **Cost Segregation Studies.** Cost segregation allows commercial property owners to increase current cash flow through accelerated depreciation on certain portions of the property. More information: https://www.irs.gov/pub/irs-pdf/p5653.pdf

2. **Scan the state and local website incentive pages** where your clients operate. Search for “your State + Economic Development” and “your town + Economic Development” (i.e. “Kansas Economic Development” or “Raleigh, NC Economic Development) for state and local level lists of incentives and economic development organizations to contact for more information or assistance.
3. **Most state Governors have newsletters** for business professionals with reports on new programs and updates when funds have been replenished or become available.

And three insider tips:

1. **Let your local economic development organization and elected officials know that you have real options to move or expand jobs outside of the region or state.** Contact other states’ economic development organizations to understand what programs they would offer you if you relocated to their area. Share this information with your current elected officials.

2. **Outline a company's quantitative and qualitative impact on its community and city.** Discretionary programs favor companies that are involved in the community. In short, explain why you matter to the community with personal stories and economics to back it up.
3. **Don't overask and underperform.** Many of these programs have limited funds and companies tend to ask for much more than they need while over promising (such as hiring or making X amount of capital investment). Ask for the bare minimum and overperform and then come back and ask for more. Officials love it when companies over deliver and become shining examples of how a program works. They are more likely to provide additional funds to your company.

Chapter Three
Building an Incentive Practice to Drive Revenue and Loyalty

Decision 1: Does My Portfolio of Clients Qualify for Any Incentive Programs?

Begin by taking an honest assessment of your client base. Almost all of the incentive programs are triggered by growth, so the first question is whether your clients' businesses are growing, flat, or declining? Flat and declining businesses, shedding jobs with decreasing income and tax bills, are not good candidates for government incentives.

Even if your clients are growing revenues, adding headcount, and investing in the business, certain types of businesses qualify for a lot more programs than others. Restaurants, barbershops, bakeries, coffee shops, and many main street retail businesses unfortunately don't qualify for many programs. However, there might be some matching façade-improvement funds, small business micro-grants, or specific business corridors that the city or county would like to support through various programs. It's worth a quick search on the city's municipal website under the economic development section.

As discussed earlier, the job multiplier effect of manufacturing jobs and the economic impact of exporting businesses on local communities means that the majority of program dollars are allocated to manufacturing and other high-paying sectors. As seen in chapter two, estimating total incentive dollars is challenging in the aggregate and is even more so when broken out by sector. In our research, the top three sectors for government incentives are:

1. **Manufacturing.** Of total annual US incentives of $100 billion, we estimate that $15–$25 billion a year is directed towards manufacturing, which includes subsectors ranging from aerospace & defense to food & beverage and everything in between.
2. **Biotechnology.** We estimate that biotechnology and life sciences is the second largest category, with annual incentives ranging from $8–$14 billion and top sectors of pharmaceuticals, environmental, agriculture, and other medicine.
3. **Software.** Software is third, with incentives ranging from $2.5–$14 billion for telecom, IT, software, and startups.

Since many of these programs take the form of tax credits, it is profitable businesses with corporate income tax liability that can benefit from these programs the most. Startups and those companies with high net operating loss (NOL) carryforwards can typically only take advantage of incentives related to the payroll taxes all employers must pay. This is why the R&D Tax Credit is such a big deal for venture-backed startups; it is one of the only incentives they can take advantage of.

Decision 2: In-House vs. Referral Partnerships

Once the client base has been assessed, the next question is: How involved do you want to be in the application process? Depending on your particular service area, there will naturally be programs that may make sense for you to do in-house versus referring out. For CPAs, certain discretionary programs like the Employee Retention Tax Credit are pretty straightforward to administer. For accounting firms or fractionalCFOs who administer payroll, implementing the Work Opportunity Tax Credit during employee onboarding could be something they can stand up in conjunction with HR and the payroll processing company. For real estate brokers, perhaps there are property tax programs or other related incentives that might make sense to administer in-house.

Most boutique tax firms have built their businesses through a network of referral sources from finance professionals like CPAs. They will happily sign referral agreements with you and they all should have standard forms to review. A referral agreement is sometimes called a “Memorandum of Understanding” or MOU. We recommend finding a handful of local or friendly tax firms and meeting with them to understand what they look for in candidates for the programs they specialize in. Depending on the diversity of your client base, you might have a small network of referral partners where you can route your clients depending on sector, size, or other variables.

There are a few other options. White labeling—some tax firms will be willing to do the tax incentive work in the background. You maintain the client contact and billing relationship, and they appear to be part of your team, even using your financial service firm’s email address should they need to interface with the client. And co-sourcing—where the tax firm works alongside your team to handle the complex and often cumbersome parts of the tax credit process.

We recommend setting up 3–5 informational sessions with tax firms that you know, are in your area, or appear well-established in the area of interest. As you educate yourself on the differences between the firms, programs, pricing, and final deliverables, you can decide what you are comfortable filing vs. handing off. You can also watch the process play out several times with your clients before deciding whether it's worth investing in learning yourself or hiring someone part-time or full-time to help based on volume.

Decision 3: Economics and Positioning

The typical referral agreement is 10–20% of the tax firm's fee. The tax firm's fee is usually a 10–30% success fee, depending on the complexity of the program. There are rules against the larger firms taking a success fee if they also assist with accounting, taxes, and audit defense. These firms usually charge a fixed fee/flat rate that equates to a similar success fee percentage. Let's look at two examples:

- You send your client to Tax Firm XYZ, which qualifies the client for the R&D Tax Credit and completes the study, showing it has a total claim worth $400,000 to the company. Tax Firm XYZ will bill the client for 25% of the total claim or $100,000. Your referral fee, assuming 20%, will be $20K.
- You refer your real estate developer client to Tax Firm ABC, and it qualifies the developer for the 45L Energy Efficiency Home Credit, including the 3-year retroactive component, for 1,000 units and performs the necessary studies. At $2,000 per door, that is a $2 million tax credit for your client. Tax Firm ABC will invoice them for $500 per door or $500,000. Your referral fee, assuming 10%, will be $50K.

There can be a wide range of timing for these invoices. Some firms bill time and materials when the work is done; others bill once the credit is actually received, and others only once the gain is realized. For some programs, like the California Competes Tax Credit, or an Economic Development Rate (EDR) through the utilities, this can be five years! Make sure you and your client understand the timing and dynamics of the incentive and billing cycle. Given that these programs are usually classified as "found money," the more payment is tied to success and billed when the funds or savings are received, the better this aligns with what is best for your client.

⚠️*It is important to set clients' expectations about when they will be billed in cases where the bill is due well in advance of the gain being realized. For instance, many applications may be complete but won't deliver impact for the client until the annual tax filing. These large bills can be surprising and resented if expectations aren't properly set. It can swing these incentives from feeling like "found money" to a harsh penalty.*

Finally, suppose there are strong candidates for various tax incentive programs within your client portfolio and you've done the initial research about whether to do the applications yourself or partner with domain experts. The next step is to use this to differentiate yourself the marketplace–positioning. We have seen fractionalCFOs, bookkeepers, and CPAs use their high-level familiarity with incentive programs or a relationship with Subcity to win new business, increase loyalty and revenue from existing clients, and generally stand out from other service providers in a competitive field.

What Actions Can I Take Today for Each of My Clients?

Examine the top expenses for the previous year and the financial forecast or broad future plans for the next one, three, or five years.

Here are some practical points to consider and work through with your clients:

Top expenses are often wages for employees and contractors.

- Are there training or upskilling program dollars that can be utilized?
- Are any employees engaged in research and experimentation that meet the four-part test[20] for the R&D Tax Credit? The client might be able to get a dollar-for-dollar offset to their corporate tax liability for wages paid for that portion of the work.
- Is the firm hiring five or more individuals into good-paying jobs? It is probably worth contacting local economic development organizations to see if there are job creation programs that should be taken advantage of.

Energy and power can be a large expense for many businesses.

- Each utility company should have a list of commercial incentives. These range from discounts on energy-efficient products to five-year economic development rate (EDR) discounts of 12%, 18%, or 25% off monthly power bills.

Freight, shipping, telecommunications, and waste removal can be other large cost-centers.

- There are cost-saving firms like Schooley-Mitchell and Expense Reduction Analysts that work on a success fee if they can help a company negotiate better rates on key line-items but don't charge anything if they are unable to secure any savings.

Are there opportunities to offer economic incentives to your client's customers?

- There are numerous sales and use tax exemptions for buying certain equipment and materials depending on the state and sector of the purchaser. If you can save *their* clients 2-9% off the purchase price by enabling sales and use tax waivers, it could help increase sales velocity.
- If the client is offering training or upskilling services—or anything related to clean energy or installing electric vehicle charging stations for consumers or

[20]"Audit Techniques Guide Credit for Increasing Research Activities I E Research Tax Credit IRC 41 Qualified Research Activities | Internal Revenue Service." n.d. Www.irs.gov. Accessed September 13, 2023. https://www.irs.gov/businesses/audit-techniques-guide-credit-for-increasing-research-activities-i-e-research-tax-credit-irc-41-qualified-research-activities.

businesses—make sure you know how to educate the end buyers on the relevant programs they can pursue if they choose.

Simple New Client Intake Form Questionnaire Template

Feel free to utilize the basic intake questionnaire Subcity uses in discovery calls to prequalify companies for incentives. We've reduced the questions to the absolute minimum amount of info required for a "30k-foot view" of which incentive programs, if any, are worth further exploration. Consider including questions like these as part of your normal new-client onboarding process (you may want to add a few more specific questions based on your clients and their sectors):

1. Do you pay for training or upskilling of existing employees?
    - Yes
    - No
    - Not sure

2. Does your organization devote time and resources to improving existing products, processes, or creating innovative new products?
    - Yes
    - No
    - Not sure

3. Are you making energy efficiency improvements to one or more of your buildings?
    - Yes
    - No
    - Not sure

4. Do you have any planned capital investment over the next three-to-five years? Roughly what amount?
    - None
    - $0 to $100K
    - $100k to $250K
    - $250K to $1M
    - $1M to $5M
    - $5M+

5. What is your rough headcount increase planned for the next three-to-five years?
    - None
    - 1 to 25

- 25 to 100
- 100 to 500
- 500+

Chapter Four
The Latest Programs and Their Impact on SMBs

Four New Laws. 1,388 Amendments. $4.1 Trillion Dollars

Part of this chapter was originally published on April 20, 2023 in a front-page article in Industry Today[21]*, a leading manufacturing trade publication.*

Dall-E Prompt: small single red, white, and blue firework explosion over city skyline, digital art

[21] Gonzales, Gil. 2023. "4 New Laws. 1,388 Amendments. $4.1 Trillion Dollars." Industrytoday.com. April 20, 2023. https://industrytoday.com/4-new-laws-1388-amendments-4-1-trillion-dollars/.

We don't blame you if you haven't been able to read and absorb the 794,620 words and 7,170,735 characters in the Inflation Reduction Act, Chips and Science Act, Infrastructure Investment and Jobs Act (IIJA), and the American Rescue Plan Act. Subcity has gathered resources to help anyone who is interested navigate all of these new laws and programs. Before we break down each of the laws, following is a little more information on who these programs are for, how they are designed and implemented, and what the top provisions to pay attention to are.

Who should be paying closest attention to the new and existing programs?

- Any company working on advanced manufacturing or investing in research, development, and innovation.
- Any business involved in anything related to clean energy—reducing carbon output or greenhouse gasses, renewables, electric vehicles, batteries, or components, clean power generation, or improving energy efficiency.
- Any company with any direct involvement with semiconductors, semiconductor-related research, or any part of the semiconductor supply chain.
- Businesses operating in distressed geographic areas and paying above the area median income (AMI).

Here are the top three things to be aware of for your small and medium-sized clients and what to do about each of them:

1. **Changes to the R&D Tax Credit**—Talk to your existing R&D Tax Credit provider!
    - The Inflation Reduction Act expanded the R&D Tax Credit limit from $250K to $500K by providing an additional $250,000 that can be used to offset the employer portion of payroll tax liability.
    - Sec. 174 of the Tax Code on capitalization creates severe complications for many companies. While it is in place, claiming the R&D Tax Credit could actually result in them owing *more* tax.
    - A new bipartisan research and development (R&D) bill was introduced by Senators Maggie Hassan (D-NH) and Todd Young (R-IN) in the Spring of 2023. This would clarify and fix the biggest 174 issues by ensuring that companies can fully deduct R&D expenses each year and fix provisions for small businesses and startups, which include making the R&D Tax Credit refundable, raising the credit cap over time, and expanding eligibility.
2. **Expanded Access to Loans and Credit for Small Businesses**—Visit the list of capital programs and view contacts for your state or territory.
    - The American Rescue Plan Act reauthorized and expanded the State Small Business Credit Initiative (SSBCI) to provide $10 billion to support small businesses and empower them to access the capital needed to invest in job-creating opportunities as the country emerges from the pandemic.
    - https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/capital-program-list-of-programs-and-contacts

3. **Enhanced Incentives for Qualifying Geographic Areas**—Input your client's commercial address in government mapping tools to see if you are in an eligible census tract area.
    - New Markets Tax Credit (NMTC) and Low-Income Housing Tax Credit (LIHTC) are two such federal programs. The New Employment Credit (NEC) in designated geographic areas (DGAs) in California is an example of a state-specific program.
    - Most Opportunity Zones are also NMTC-qualified census tracts, so this overlap means the two tax incentive programs could fit nicely together. In addition to the NMTC Program, Opportunity Fund projects may also make use of other tax credit programs, such as the Low-Income Housing Tax Credit (LIHTC) and the Historic Tax Credit (HTC).
    - https://www.cdfifund.gov/cims3

To recap, here are your three actions to take today:

1. Talk to your client and their R&D Tax Credit provider, especially before filing their annual corporate taxes.
2. Visit the list of capital programs and view contacts for your client's state or territory.
3. Input your client's commercial addresses in mapping tools to see if they are in an eligible census tract area.

Obviously, there is a lot more to these bills. For any company working on anything related to clean energy (vehicles, buildings, equipment) or semiconductors, *particularly* close attention should be paid to the programs, guidelines, and application windows as they are announced.

Four Major Legislative Acts: IRA, CHIPS, IIJA, ARP

👉How to use this next section:

1. Read through the summaries of each act and the top programs.
2. Use the resource links to search in the guidebooks for the programs that seem relevant for your clients.

Inflation Reduction Act of 2022 (IRA)

On August 16, 2022, the Inflation Reduction Act became Public Law No: 117-169, passed by the 117th Congress (2021–2022). There were 295 amendments to the bill. This act is one of three major pieces of legislation passed in 2021 and 2022. The goal of the IRA is to increase the United State's industrial competitiveness in key strategic areas and spur domestic innovation and investment in clean energy initiatives.

Despite the name, the Congressional Budget Office (CBO) analysis of the IRA bill estimates its impact on inflation as "statistically indistinguishable from zero."

The IRA's investments are across a wide variety of sectors, from Energy ($250.6 billion) and Manufacturing ($47.4 billion) to the Environment ($46.4 billion), Transportation ($23.4 billion), and Agriculture ($20.9 billion). The funds will be delivered through a mix of tax incentives, grants, and loan guarantees.

The majority of the energy and climate funding is in the form of tax credits, with corporations the biggest recipient. These are designed to catalyze private investment in clean energy, transportation, and manufacturing. Many of the tax incentives in the bill are direct pay, meaning that an entity can claim the full amount even if its tax liability is less than the credit.

These tax credits, grants, loans, and other incentives are routed through the major agencies: Treasury Department, Department of Health and Human Services, Environmental Protection Agency, Department of Energy, Department of Agriculture, Department of Interior, Department of Transportation, and Department of Commerce. The first five US government agencies in the list above account for 96% of the IRA funding.[22] Guidelines are being written and application instructions and timelines are slowly being rolled out program-by-program.

Top IRA Programs

- Production Tax Credit for Electricity from Renewables
- Investment Tax Credit for Energy Property
- Increase in Energy Credit for Solar and Wind Facilities Placed in Service in Connection with Low-Income Communities
- Zero-Emission Nuclear Power Production Credit
- Clean Electricity Production Tax Credit
- Cost Recovery for Qualified Facilities, Qualified Property, and Energy Storage Technology
- Greenhouse Gas Reduction Fund
- Funding for the Department of Energy Loan Programs Office
- Tribal Energy Loan Guarantee Program
- Advanced Energy Project Credit
- Advanced Manufacturing Production Credit

[22] "What's in the Inflation Reduction Act (IRA) of 2022 | McKinsey." n.d. Www.mckinsey.com. https://www.mckinsey.com/industries/public-sector/our-insights/the-inflation-reduction-act-heres-whats-in-it.

- Energy Infrastructure Reinvestment Financing
- Enhanced Use of Defense Production Act
- Availability of High-Assay Low-Enriched Uranium (HALEU)
- Credit for Qualified Commercial Clean Vehicles
- Alternative Fuel Vehicle Refueling Property Credit
- Advanced Technology Vehicle Manufacturing Loan Program
- Domestic Manufacturing Conversion Grants
- Credit for Carbon Oxide Sequestration
- Advanced Industrial Facilities Deployment Program
- Methane Emissions Reduction Program
- Implementation of the AIM Act
- Clean Hydrogen Production Tax Credit

As you read above, the Inflation Reduction Act expanded the R&D Tax Credit limit from $250K to $500K by providing an additional $250,000 that can be used to offset the employer portion of payroll tax liability. We find that while companies might be taking advantage of the federal credit, they often miss out the state-level benefits.

As of 2021, 35 states offer an R&D expenses tax credit. Minnesota was the first to introduce a state-level R&D credit in 1981. By 2010, 37 states had their own R&D tax credits. Eight states that earlier offered R&D expense tax credits have repealed them or allowed them to expire. They include Oregon (2018), North Carolina (2015), Washington (2014), Oklahoma and West Virginia (2013), Michigan (2012), Montana (2010), and Missouri (2005).

Additional Resources:

- Guidebook: https://www.whitehouse.gov/wp-content/uploads/2022/12/Inflation-Reduction-Act-Guidebook.pdf
- Fact Sheet: https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/16/fact-sheet-how-the-inflation-reduction-act-builds-a-better-future-for-young-americans/
- Wikipedia: https://en.wikipedia.org/wiki/Inflation_Reduction_Act_of_2022
- Full Text of H.R. 5376 Inflation Reduction Act: https://www.congress.gov/bill/117th-congress/house-bill/5376/text
- PDF: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS)

On August 9th, 2022, the Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS) became Public Law No: 117-167, passed by the 117th Congress (2021-2022). There were 45 amendments to this bill. The act is one of three major pieces of legislation passed in 2021 and 2022. The goal of the CHIPS Act is to increase the United States' industrial competitiveness in semiconductor research and production, jump-start R&D and commercialization of leading-edge technologies—such as quantum computing, AI, and nanotechnology, and create new regional high-tech hubs and a bigger, more inclusive science, technology, engineering, and math (STEM) workforce.

The Department of Commerce will oversee $50 billion in CHIP investments over five years, including $11 billion for advanced semiconductor R&D and $39 billion to accelerate and drive domestic chip production. The CHIPS Act allocates $2 billion to the US Department of Defense to fund microelectronics research, fabrication, and workforce training. An additional $500 million goes to the Department of State to coordinate with foreign government partners on semiconductor supply chain security. And $1.5 billion funds the USA Telecommunications Act of 2020, which aims to enhance the competitiveness of software and hardware supply chains of open radio access network (RAN) for 5G NR.[23]

The law also authorized (but did not appropriate) $174 billion for investment in science, engineering, and math programs, workforce development, and R&D, including space exploration. Clients with a STEM workforce or hard science upskilling needs should pay attention to the allocation of funding to the National Science Foundation, the Economic Development Administration, and The National Institute of Standards and Technology (NIST).

Top CHIPS Programs

- CHIPS for America Fund
- CHIPS for America Defense Fund
- CHIPS for America Workforce and Education Fund
- CHIPS for America International Security and Innovation Fund
- Advanced Manufacturing Investment Tax Credit
- Public Wireless Supply Chain Innovation Fund

[23] "The CHIPS and Science Act: What Is It and What Is in It? | McKinsey." n.d. Www.mckinsey.com. https://www.mckinsey.com/industries/public-sector/our-insights/the-chips-and-science-act-heres-whats-in-it.

Additional Resources:

- Guidebook:https://www.nist.gov/system/files/documents/2022/09/13/CHIPS-for-America-Strategy%20(Sept%206%2C%202022).pdf
- Fact Sheet: https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/
- Wikipedia: https://en.wikipedia.org/wiki/CHIPS_and_Science_Act
- Full Text of the Bill: https://www.congress.gov/bill/117th-congress/house-bill/4346/text
- PDF of the Bill: https://www.congress.gov/117/plaws/publ167/PLAW-117publ167.pdf

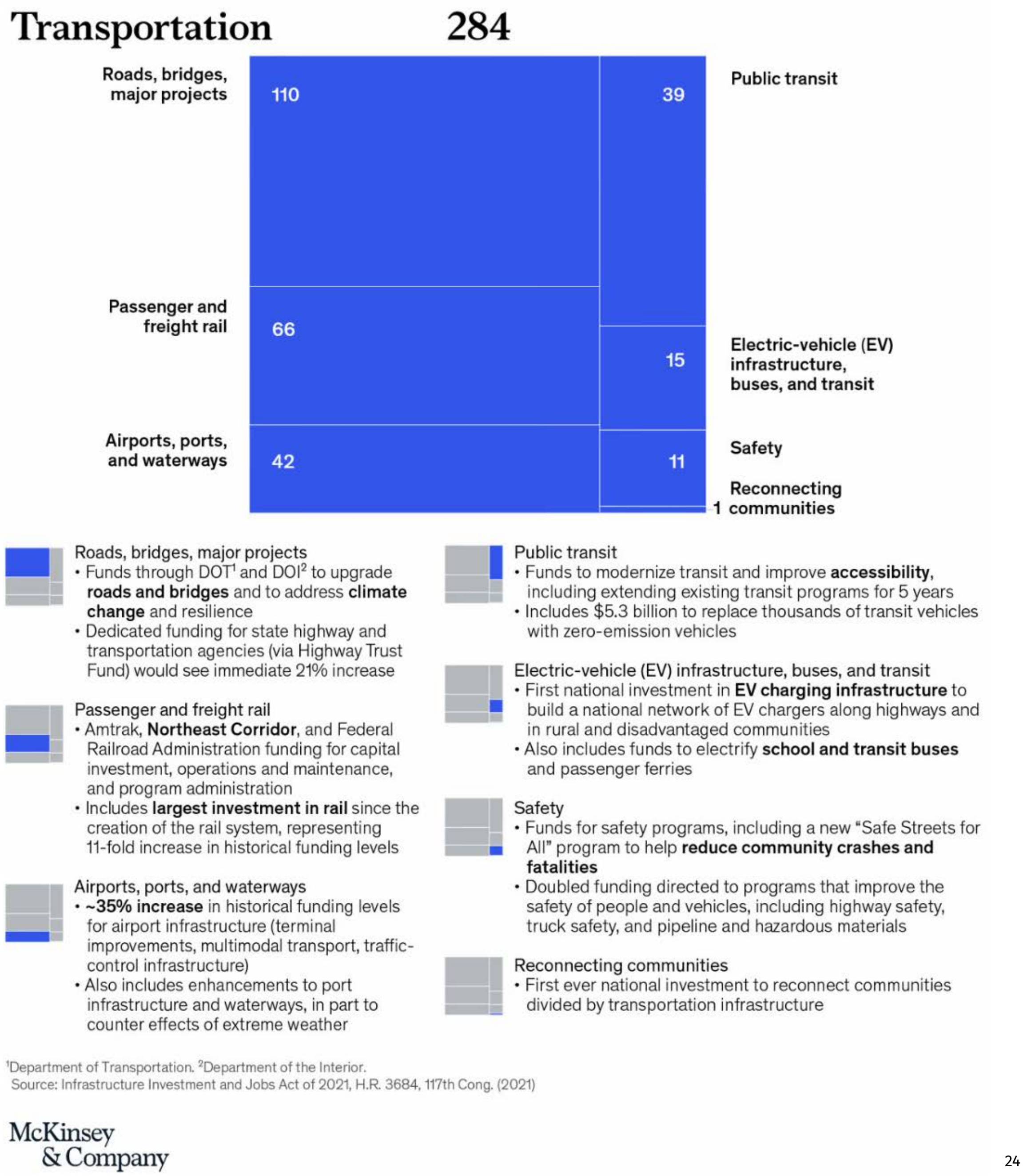
Infrastructure Investment and Jobs Act (IIJA)

On November 15, 2021, the Bipartisan Infrastructure Deal (Infrastructure Investment and Jobs Act) became Public Law No: 117-58, passed by the 117th Congress (2021–2022). There were 539 amendments to the bill. This Act is one of three major pieces of legislation passed in 2021 and 2022. The IIJA addresses key infrastructure needs related to transportation (roads, bridges, rail, ports, EVs, and public transit) and core infrastructure (power grid, broadband, water, climate resiliency, and more).

According to the White House, the Bipartisan Infrastructure Deal will rebuild America's roads, bridges and rails, expand access to clean drinking water, ensure every American has access to high-speed internet, tackle the climate crisis, advance environmental justice, and invest in communities that have too often been left behind.

The IIJA will provide $284 billion in new spending for transportation improvements.

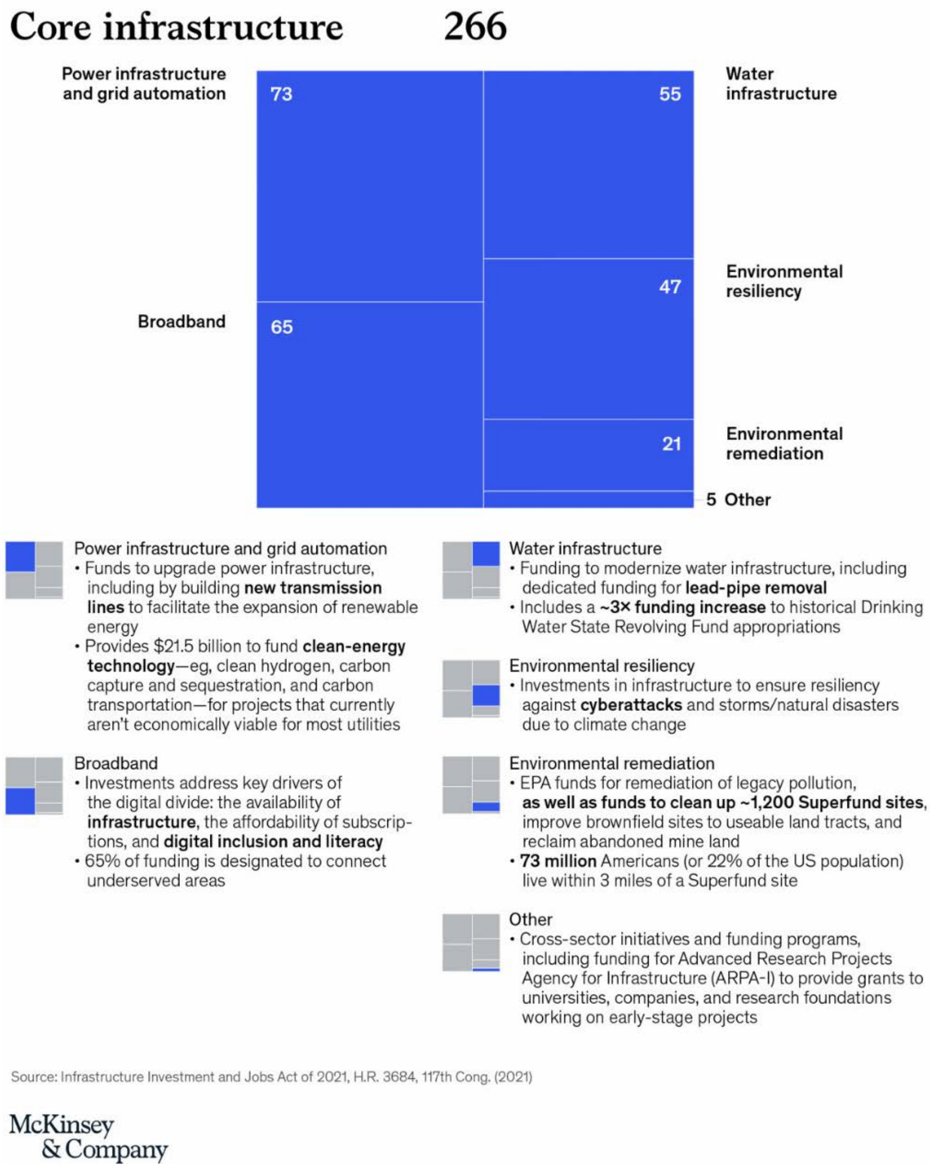
Figure 6: Exhibit from “The US Bipartisan Infrastructure Law: Breaking it down”, November 2021, McKinsey & Company



[24]Exhibit from “The US Bipartisan Infrastructure Law: Breaking it down”, November 2021, McKinsey & Company, www.mckinsey.com.

The IIJA will provide $266 billion in new spending for core infrastructure improvements.

Figure 7: Exhibit from “The US Bipartisan Infrastructure Law: Breaking it down”, November 2021, McKinsey & Company



[25]

Additional Resources:

- Guidebook: https://www.whitehouse.gov/build/guidebook/

[25] Exhibit from “The US Bipartisan Infrastructure Law: Breaking it down”, November 2021, McKinsey & Company, www.mckinsey.com.

- Fact Sheet: https://www.whitehouse.gov/briefing-room/statements-releases/2021/11/06/fact-sheet-the-bipartisan-infrastructure-deal/
- Wikipedia: https://en.wikipedia.org/wiki/Infrastructure_Investment_and_Jobs_Act
- Full Text of the Bill: https://www.congress.gov/bill/117th-congress/house-bill/3684/text
- PDF of the Bill: https://www.congress.gov/117/plaws/publ58/PLAW-117publ58.pdf

American Rescue Plan Act of 2021 (ARP)

On March 11th, 2021, the American Rescue Plan (ARP) became Public Law No: 117-2, passed by the 117th Congress (2021-2022). There were 509 amendments to the bill. It was one piece of President Joe Biden's proposed three-part Build Back Better plan.

1. American Rescue Plan (ARP), a COVID-19 pandemic-relief bill
2. American Jobs Plan (AJP), a proposal to address long-neglected infrastructure needs and reduce America's contributions to destructive effects of climate change
3. American Families Plan (AFP), a proposal to fund a variety of social policy initiatives, some of which (e.g., paid family leave) had never before been enacted nationally.

The AJP and AFP did not pass but portions of each were worked into the IRA, CHIPS, and IIJA packages.

The American Rescue Plan builds on many programs from the CARES Act, only with more focus on state and local governments and individual consumer tax incentives. For businesses, the ARP included additional funding and guidelines for the Employee Retention Tax Credit, Restaurant Revitalization Fund, and Shuttered Venue Operators Grant, along with supplemental funding for Paycheck Protection Program (PPP) loan forgiveness, Economic Injury Disaster Loan (EIDL) extensions for small businesses in low-income communities, and a Paid Sick and Family Leave Tax Credits extension.

Additional Resources:

- Guidebook: https://www.whitehouse.gov/wp-content/uploads/2022/05/ADVANCING-EQUITY-THROUGH-THE-AMERICAN-RESCUE-PLAN.pdf
- Fact Sheet: https://www.whitehouse.gov/briefing-room/statements-releases/2022/10/21/fact-sheet-american-rescue-plan-funds-provided-a-critical-lifeline-to-200000-child-care-providers-helping-millions-of-families-to-work/
- Wikipedia: https://en.wikipedia.org/wiki/American_Rescue_Plan_Act_of_2021
- Full Text of the Bill: https://www.congress.gov/bill/117th-congress/house-bill/1319/text

- PDF of the Bill: https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf

State Small Business Credit Initiative (SSBCI)

The American Rescue Plan Act reauthorized and expanded the State Small Business Credit Initiative (SSBCI) to provide $10 billion in support to small businesses and empower them to access the capital needed to invest in job-creating opportunities as the country emerges from the pandemic. SSBCI provides funds to states, the District of Columbia, territories, and tribal governments to promote American entrepreneurship, support small business ownership, and democratize access to capital across the country, including in underserved communities.

SSBCI includes the Capital Program and the Technical Assistance (TA) Grant Program. Under the Capital Program, participating jurisdictions implement credit and equity/venture capital programs to provide capital to small businesses. Under the TA Grant Program, Treasury supports programs that provide legal, accounting, or financial advisory services to qualifying small businesses.

Each jurisdiction sets up its Capital Program using some combination of the following:

- **Capital Access Programs** provide portfolio insurance in the form of a loan loss reserve fund into which the lender and borrower contribute.
- **Collateral Support Programs** provide cash collateral to improve small businesses' ability to borrow funds to grow a business.
- **Loan Guarantee Programs** support private loans that may have otherwise been inaccessible or prohibitively expensive by agreeing to reduce the lender's exposure on a loan.
- **Loan Participation Programs** provide credit support through the purchase of a portion of a loan made by a lender or through a direct loan alongside a private lender.
- **Equity/Venture Capital Programs** provide capital in the form of equity investments to underserved startups and investors.

Additional Resources:

- Main SSBCI website: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci
- List of capital programs and contact information by state or territory: https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/capital-program-list-of-programs-and-contacts

- Fact Sheet: https://home.treasury.gov/system/files/256/State-Small-Business-Credit-Initiative-SSBCI-Fact-Sheet.pdf

Chapter Five

Federal Tax Credit and Incentive Programs

How to use this section:

- Appendix I contains a worksheet that lists these programs—next to each, write the name(s) of your clients to which the program *might* be relevant.
- Once you've done this exercise you'll have a personalized list of federal incentives that you can research further and discuss a 30K-foot level at an upcoming client meeting.

List of Evergreen Federal Tax Credit and Incentive Programs

1. 179d Energy Efficient Commercial Buildings Deduction)—save up to $1.88 per square foot (now up to $5 with the IRA)
2. Agricultural Chemicals Security Credit (carryforward only)—30% of the costs incurred toward securing specified agricultural chemicals. (PROGRAM COMPLETE)
3. Alternative Fuel Vehicle Refueling Property Credit—up to $30K for installation of EV charging infrastructure at your business.
4. Biodiesel and Renewable Diesel Fuels Tax Credit—save $1.00 per gallon used
5. Biofuel Producer Credit—save $1.01 per gallon produced
6. Carbon Oxide Sequestration Tax Credit—save up to $85 per metric ton of carbon captured
7. Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips—Restaurant owners with employees who routinely receive tips may be entitled to this credit for the portion of the taxes paid on their employees' tips—save up to 7.65% of reported tips.
8. Credit for Small Employer Health Insurance Premiums—save up to 50% of qualified expenses
9. Credit for Differential Wage Payment Credit—up to $4,000 per active-duty employee
10. Distilled Spirits Tax Credit—savings vary based on production
11. Employee Retention Tax Credit—up to $26k per qualifying W2 employee
12. Employer Child Credit for Employer-Provided Childcare Facilities and Services—save up to $150K
13. Employer Credit for Paid Family and Medical Leave—save up to 25% of paid-leave wages

14. Empowerment Zone Credit—save up to $15000
15. [Energy] Investment Credit—save up to 30% of qualified expenses (form 3468)
16. FICA Tip Credit—save up to 7.65% of reported tips
17. Indian Employment Credit—up to $4,000 per qualified employee (PROGRAM COMPLETE)
18. Low-Income Housing Tax Credit (LIHTC)—4% or 9% of construction qualified basis
19. Low Sulfur Diesel Fuel Production—save $.05 per gallon produced
20. Mine Rescue Team Training Credit—save up to $50K per employee
21. New Markets Tax Credits (NMTC)—save 39% of initial CDE investment
22. Nonconventional Source Fuel (carryforward only)—(PROGRAM COMPLETE)
23. Oil and Gas Production From Marginal Wells Credit—$3 per barrel of qualified crude oil and 50 cents per 1000 cubic feet of qualified natural gas production
24. Opportunity Zones—savings vary based on investment
25. Qualified Railroad Track Maintenance Tax Credit—save up to 50% of qualified expenses
26. Rehabilitation Credit (Historic Preservation)—save up to 20% on qualified expenses
27. Renewable Electricity Production, Refined Coal Production, and Indian Coal Production Tax Credit—saving varies based on fuel/production type
28. Credit for Increasing Research Activities (R&D)—save up to $500K for qualified R&D investments
29. [Small Business] Disabled Access Credit—save up to $10,250
30. Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment—saves up to $500, or 50% of employee pension start-up costs
31. Solar Production Tax Credit—save up to 2.75 cents per kilowatt-hour (kWh) for electricity generated by solar for the first 10 years of a system's operation
32. Work Opportunity Tax Credit (WOTC)—save $2,400 or more per eligible employee

Chapter Six

About Subcity and the Team

Founding Story and Company Mission

Subcity began in early 2021 when Alex White and Chris Clark set out to build a company committed to helping small businesses access essential financial resources. Having worked for many years in the music industry, they identified the struggle small businesses faced in accessing tax credits and incentives during the rollout of the Shuttered Venue Operators Grant.

The next step was to partner with Gil Gonzales, who had directly negotiated more than $150 million in economic incentives and literally wrote THE book on the topic. Go ahead and search “government incentives for small businesses book!” *Government Incentives: Tax Credits, Grants, Cash Reimbursements & Financing The Insider’s Guide to Government Funding for your Small Business* is the predecessor to the text you are reading now.

In the middle of 2021, the trio founded Subcity with a vision to democratize access to capital for small businesses. Since launching in April of 2022, Subcity has helped manufacturing clients secure tens of millions of dollars in economic incentives and tax credits. With a growing portfolio of financial offerings, Subcity’s mission is to make a meaningful impact on small business owners across America, ensuring they have access to the resources they need to thrive.

America was built by entrepreneurs, adventurers, and inventors. Subcity’s purpose is to help small businesses succeed and ensure our cities continue to be engines of opportunity for humanity. We believe we can achieve the ultimate win-win-win-win by:

1. Helping cities enact their economic development plans
2. Allowing small business owners to access and collect the incentives designed to help them grow and thrive
3. Enabling individuals who have faced significant barriers to employment (e.g., ex-military, ex-felons, folks with disabilities, long term SNAP recipients) to stand out in the job market
4. Assisting underserved communities and geographies in securing investment

Pledge 1%

Subcity is a mission-driven organization. At our founding, we pledged 1% of our equity for a charity that deeply aligns with our goal of helping small businesses succeed—America’s SBDC, the most comprehensive small business assistance network in the United States and its territories.

- America’s SBDC represents America’s nationwide network of Small Business Development Centers.
- SBDCs are hosted by leading universities, colleges, state economic development agencies, and private partners and are funded in part by the United States Congress through a partnership with the U.S. Small Business Administration.
- Nearly 1,000 local centers[26] are available to provide no-cost business consulting and low-cost training to new and existing businesses.

[26] 2023. Americassbdc.org. 2023. https://americassbdc.org/home/find-your-sbdc/.

- Small business owners and aspiring entrepreneurs can go to their local SBDCs for *free* face-to-face business consulting and at-cost training on a variety of topics. Discover how SBDCs are helping local businesses start, grow and thrive: https://americassbdc.org/home/success-stories/

More About The Founders

Gil Gonzales

Gil Gonzales is a former appointee by Governor Brown to the California Office of Business and Economic Development, Vice President of Economic Development for the Arizona Commerce Authority under Governor Ducey, and former Senior Director of the Los Angeles Office of Housing and Economic Development appointed by Mayor Antonio Villaraigosa.

As an expert in economic incentives, Gil has directly negotiated more than $150 million in economic incentives on behalf of hundreds of businesses with over $1.7 billion in capital expenditures.

A bootstrap childhood in Central California along with extensive work with small to medium-sized business owners gave Gil the insight and compassion to understand and aid the entrepreneurial spirit. He is the author of the first edition of *Government Incentives: Tax Credits, Grants, Cash Reimbursements & Financing—The Insider's Guide to Government Funding for Your Small Business*.

Chris Clark

Chris Clark spent his childhood working in his father's Bay Area distribution company, so he grew up in a family-run business. Though he'd go on to work for Apple and Google, his passion has always been to help small businesses thrive and be more profitable.

He was the former head of music growth and monetization and a founding product manager and head of music data at YouTube. He also launched App Store Connect at Apple.

Chris started his career as part of a small team that built a multicurrency, multi-rights holder 100 million transactions-per-month royalty processing system at IODA (acquired by Sony Music). He was a pure math major at UCLA and a UC Berkeley PhD dropout.

Alex White

Alex White co-founded Next Big Sound in 2008 and was the CEO until the company was acquired by Pandora (NYSE: P) in 2015. He spent 5 years at Pandora, ultimately running all content and personalization across music, comedy, and podcasts. Alex was part of the leadership team when Pandora itself was acquired by SiriusXM where he reported to SXM's President and Chief Content Officer.

Alex and his Next Big Sound co-founders were featured in *Fast Company* (named the "#1 most innovative company in the music industry," 2015), *Forbe*s ("30 Under 30" in the music category three times), *Billboard* ("10 Best Music Companies), *Bloomberg Businessweek* ("25 Under 25"), *Entrepreneur* magazine's "30 Under 30" list, *The New York Times*, CNN.com, *Inc.,* Fox Business.com, *The Washington Post*, TechCrunch.com, and many other publications.

Alex has a BS in Learning and Organizational Change and sits on the board of his college, Northwestern's School of Education and Social Policy.

Gil Gonzales' Economic Development Background

I could never have imagined being in the situation I found myself in. I was working for the governor of California as a gubernatorial appointee in the state's Office of Business and Economic Development. A big deal was on the table. A huge deal, in fact—Tesla was considering bids from states and cities across the United States for their lithium-ion battery facility.

It was not my first megaproject (capital investments of $1 billion or more). I had already established my career and had in-depth experience in economic development, having worked for the mayor of Los Angeles as Senior Director of the Office of Business and Development and for the state of Arizona as the VP of Business Attraction. I had represented the mayor of Los Angeles on large-scale projects with Costco, Farmers Insurance, Northrop Grumman, and dozens more Fortune 500 companies.

Dealing with yet another large-scale project was nothing new, but the stakes were high, and the timeline was short. You've probably read about these types of megaprojects in the news. The race to be the city that gets to serve as the location for Amazon's second headquarters is one of the most famous examples in recent memory. Amazon eventually selected Arlington County, Virginia. Among the top bidders, the State of New York promised tax breaks of at least $1.525 billion, cash grants of $325 million, and other incentives. Virginia, the winner, offered $573 million in tax breaks, $23 million in cash, and other incentives.

Cities and states roll out the red carpet in these scenarios and do absolutely everything they can to demonstrate that they are the best option for a big corporation. One city outside of Atlanta, Stonecrest, Georgia, even offered to rename itself to Amazon.[27]

Many factors go into building a compelling proposal for a corporation under these circumstances, but one of the most significant is the economic incentive. Bringing economic incentives to the table is a huge part of the proposal process.

My job was simple—to assemble the most competitive economic incentives on the local and state levels so we could put them into an attractive package for Tesla. There

[27]"Amazon, Georgia: If You Name It, Will Company Come?" n.d. USA TODAY. Accessed September 13, 2023. https://www.usatoday.com/story/tech/news/2017/10/03/city-aims-name-new-town-company-amazon-georgia/727765001/.

was one central question we needed answered to get this done and land the project: what economic incentives were other states offering?

It was a scramble at the state capital, to say the least. I quickly assembled a comprehensive spreadsheet, and worked tirelessly to put together a 50-state comparison with a breakdown of almost all of the economic incentives that each state had to offer. If we were to compete for this megaproject, we had to know the rules of the game and be one step ahead of the competition.

After assembling this data, I presented it to our team. The director of the Governor's Office of Business and Economic Development (GO-Biz) was impressed. "This is good. It's amazing to have this information all in one place. Excellent job, Gil." It was useful to have it all in one place, and it was satisfying to have a job well done. Working on these types of projects was transformative for me on a professional level.

One thing, however, was always at the back of my mind during this time: *Why don't we treat small and medium-sized businesses the way we treat these mega companies?* I understand why we don't in theory, but the question sticks with me still.

Let me be clear—I'm not saying that the megaprojects executed by large corporations do not have important, much-needed, and positive economic impacts on our communities and states. In fact, they create thousands of jobs and hundreds of millions of dollars in economic activity and can transform communities.

However, the numbers show that small and medium-sized businesses are the absolute backbone of our economy, and a little goes a long way for these businesses. I've seen it myself: cities, states, and economic development organizations pouring hours of time, effort, and hope, along with millions of dollars, to develop a package of economic incentives for one of these megaprojects. And yet, the small businesses that make up the very foundation of our economy rarely get attention or access to the same benefits. The positive effects of these incentives on small businesses are equally exponential. A 20-person machine shop could hire an extra employee and grow their profitability with just a bit of economic incentive help.

During my last year in the governor's office, I started a rural business outreach initiative. This was one of the most rewarding times in my economic development career because, while I had always worked on large projects, my passion was for SMBs.

While working for elected officials in California, I conducted over 100 workshops and presentations designed to help small businesses understand that they, too, qualify for economic incentives. 95% of these companies had no idea these programs existed, didn't know that they qualified for them, and had no idea how to apply for them.

I saw it again and again in my workshops—hard-working people who could benefit from these programs, but had never had the expertise or guidance at hand to help steer them in the right direction. *What if we could use technology and economic development expertise to simplify discovery and application to these programs and make every small business owner feel like they have the same chance at these programs as the Fortune 500?*

It's not a knock against big business that they can afford to hire the lobbyists, lawyers, and selection consultants that can get the job done. Any company that can afford such expertise, might as well take advantage of the opportunity. The truth is, though, that small and medium-sized businesses can't afford this approach; what's more, owners are typically working to full capacity while juggling several job roles, so they can't begin to figure it out.

During these workshops and face-to-face meetings with small business owners I finally realized my true passion. It's not an exaggeration to say that I "found" myself both personally and professionally at this point in my life. When I shifted my focus to helping small businesses, I realized, too, that I saw myself in them. I saw a narrative I related to and knew firsthand—the underdog story.

I use the term *underdog* with great respect for SMBs. I know that America's small and medium-sized business owners are hardworking, and I know that, in many cases, SMBs make millions a year in revenue. I use this term simply with regard to who gets government economic incentives. SMBs are indeed the underdogs when it comes to accessing these programs and, with your help, we aim to change that!

Conclusion

We hope that you've arrived here with a solid understanding of government incentives and tax credits. What they are, why they are offered, the economic principles underlying the programs, how much is available, how to apply, and how they can help grow your business and support your clients.

Each year, even pre-pandemic, we estimate that the US government sets aside over $100 billion to help businesses. This staggering annual figure doesn't even include any one-time programs like the Paycheck Protection Program (PPP) and Economic Injury Disaster

Loan (EIDL)! Much of the money allocated every year by the federal, state, and local governments goes unclaimed—or to large corporations that can afford teams of tax attorneys and consultants.

We hope this book achieved its purpose that we stated roughly 60 pages and an hour ago—to provide finance professionals with the information needed to work with their SMB clients to understand, identify, and apply for economic incentives.

Together, we can swing the pendulum in favor of small and medium-sized businesses and help these companies claim and collect the billions of dollars that were designed to help them succeed, enhance our global competitiveness, and strengthen the US economy and resilience of our nation.

Appendix I
Additional Resources, Checklists, State Level Resources, Message for Business Owners

This Appendix contains additional resources, checklists, worksheets, links, and a message for business owners so you can begin putting all of this into practice on behalf of your deserving clients.

Federal Incentive Checklist

Skim through this list and mark down the clients who might be eligible for the incentive and worth further investigation:

Incentive	Client Name
179d Energy Efficient Commercial Buildings Deduction)—save up to $1.88 per square foot (now up to $5 with the IRA)	
Alternative Fuel Vehicle Refueling Property Credit—up to $30K for installation of EV charging infrastructure at your business.	
Biodiesel and Renewable Diesel Fuels Tax Credit—save $1.00 per gallon used	

Biofuel Producer Credit—save $1.01 per gallon produced	
Carbon Oxide Sequestration Tax Credit—save up to $85 per metric ton of carbon captured	
Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips—Restaurant owners with employees who routinely receive tips may be entitled to this credit for the portion of the taxes paid on their employees' tips—save up to 7.65% of reported tips.	
Credit for Small Employer Health Insurance Premiums—save up to 50% of qualified expenses	
Credit for Differential Wage Payment Credit—up to $4,000 per active-duty employee	
Distilled Spirits Tax Credit—savings vary based on production	
Employee Retention Tax Credit—up to $26k per qualifying W2 employee	
Employer Child Credit for Employer-Provided Childcare Facilities and Services—save up to $150K	
Employer Credit for Paid Family and Medical Leave—save up to 25% of paid-leave wages	
Empowerment Zone Credit—save up to $15000	
[Energy] Investment Credit—save up to 30% of qualified expenses (form 3468)	

FICA Tip Credit—save up to 7.65% of reported tips	
Low-Income Housing Tax Credit (LIHTC)—4% or 9% of construction qualified basis	
Low Sulfur Diesel Fuel Production—save $.05 per gallon produced	
Mine Rescue Team Training Credit—save up to $50K per employee	
New Markets Tax Credits (NMTC)—save 39% of initial CDE investment	
Oil and Gas Production From Marginal Wells Credit—$3 per barrel of qualified crude oil and 50 cents per 1000 cubic feet of qualified natural gas production	
Opportunity Zones—savings vary based on investment	
Qualified Railroad Track Maintenance Tax Credit—save up to 50% of qualified expenses	
Rehabilitation Credit (Historic Preservation)—save up to 20% on qualified expenses	
Renewable Electricity Production, Refined Coal Production, and Indian Coal Production Tax Credit—saving varies based on fuel/production type	
Credit for Increasing Research Activities (R&D)—save up to $500K for qualified R&D investments	
[Small Business under 30 employees] Disabled Access Credit—save up to $10,250	

Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment—saves up to $500, or 50% of employee pension start-up costs	
Solar Production Tax Credit—save up to 2.75 cents per kilowatt-hour (kWh) for electricity generated by solar for the first 10 years of a system's operation	
Work Opportunity Tax Credit (WOTC)—save $2,400 or more per eligible employee	

Or pick one of your clients and skim through this list checking off only the ones that might apply and are worth further investigation:

- ☐ 179d Energy Efficient Commercial Buildings Deduction)—save up to $1.88 per square foot (now up to $5 with the IRA)
- ☐ Agricultural Chemicals Security Credit (carryforward only)—30% of the costs incurred toward securing specified agricultural chemicals. (PROGRAM COMPLETE)
- ☐ Alternative Fuel Vehicle Refueling Property Credit—up to $30K for installation of EV charging infrastructure at your business.
- ☐ Biodiesel and Renewable Diesel Fuels Tax Credit—save $1.00 per gallon used
- ☐ Biofuel Producer Credit—save $1.01 per gallon produced
- ☐ Carbon Oxide Sequestration Tax Credit—save up to $85 per metric ton of carbon captured
- ☐ Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips—Restaurant owners with employees who routinely receive tips may be entitled to this credit for the portion of the taxes paid on their employees' tips—save up to 7.65% of reported tips.
- ☐ Credit for Small Employer Health Insurance Premiums—save up to 50% of qualified expenses
- ☐ Credit for Differential Wage Payment Credit—up to $4,000 per active-duty employee
- ☐ Distilled Spirits Tax Credit—savings vary based on production
- ☐ Employee Retention Tax Credit—up to $26k per qualifying W2 employee
- ☐ Employer Child Credit for Employer-Provided Childcare Facilities and Services—save up to $150K

- ☐ Employer Credit for Paid Family and Medical Leave—save up to 25% of paid-leave wages
- ☐ Empowerment Zone Credit—save up to $15000
- ☐ [Energy] Investment Credit—save up to 30% of qualified expenses (form 3468)
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- ☐ Indian Employment Credit—up to $4,000 per qualified employee (PROGRAM COMPLETE)
- ☐ Low-Income Housing Tax Credit (LIHTC)—4% or 9% of construction qualified basis
- ☐ Low Sulfur Diesel Fuel Production—save $.05 per gallon produced
- ☐ Mine Rescue Team Training Credit—save up to $50K per employee
- ☐ New Markets Tax Credits (NMTC)—save 39% of initial CDE investment
- ☐ Nonconventional Source Fuel (carryforward only)—(PROGRAM COMPLETE)
- ☐ Oil and Gas Production From Marginal Wells Credit—$3 per barrel of qualified crude oil and 50 cents per 1000 cubic feet of qualified natural gas production
- ☐ Opportunity Zones—savings vary based on investment
- ☐ Qualified Railroad Track Maintenance Tax Credit—save up to 50% of qualified expenses
- ☐ Rehabilitation Credit (Historic Preservation)—save up to 20% on qualified expenses
- ☐ Renewable Electricity Production, Refined Coal Production, and Indian Coal Production Tax Credit—saving varies based on fuel/production type
- ☐ Credit for Increasing Research Activities (R&D)—save up to $500K for qualified R&D investments
- ☐ [Small Business] Disabled Access Credit—save up to $10,250
- ☐ Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment—saves up to $500, or 50% of employee pension start-up costs
- ☐ Solar Production Tax Credit—save up to 2.75 cents per kilowatt-hour (kWh) for electricity generated by solar for the first 10 years of a system's operation
- ☐ Work Opportunity Tax Credit (WOTC)—save $2,400 or more per eligible employee

Five-Year Pro Forma Template

Obviously, all companies would like to pay less in taxes, reduce their energy costs, or reduce other expenses. A common component of economic incentive programs is the "but-for" test. *But for this incentive, the business would move out of state, jobs would be lost, or some other detrimental impact will occur.*

Part of making the case to the appropriate firm or agency is a pro forma showing how the incentive moves the needle for the business. Here is a five-year template that can be a good starting point for making the business case and protecting the integrity of the incentive program.

Use the template below to estimate your firm's expenses with the benefit of local incentives and compare that to how they look with out-of-state incentives. Forecast this for every year out for five years.

Five Year Projections

Cost Items: Expenses & Incentives		Year 1				Year 2				Year 3				Year 4				Year 5			
		Exisiting Operation	Existing Operation with Incentives	Out of State Option	Delta With Incentive vs Out of State	Exisiting Operation	Existing Operation with Incentives	Out of State Option	Delta With Incentive vs Out of State	Exisiting Operation	Existing Operation with Incentives	Out of State Option	Delta With Incentive vs Out of State	Exisiting Operation	Existing Operation with Incentives	Out of State Option	Delta With Incentive vs Out of State	Exisiting Operation	Existing Operation with Incentives	Out of State Option	Delta With Incentive vs Out of State
Labor																					
Lease/Mortgage																					
Materials																					
Electricity																					
Taxes																					
Relocation Costs																					
Logistics																					
Workers Comp																					
Economic Incentives (list out individually)																					
Economic Development Rate																					
Tax Credit 1																					
TOTAL																					

Zoomed in on Year 1:

Cost Items: Expenses & Incentives		Year 1			
		Exisiting Operation	Existing Operation with Incentives	Out of State Option	Delta With Incentive vs Out of State
Labor					
Lease/Mortgage					
Materials					
Electricity					
Taxes					
Relocation Costs					
Logistics					
Workers Comp					
Economic Incentives (list out individually)					
Economic Development Rate					
Tax Credit 1					
TOTAL					

Appendix II Message For Business Owners

How To Be An Incentive Success Story

Landing one or more of the incentives discussed can lead your business to greater success. Economic incentives are some of the best opportunities to leverage and can take your business in a new direction and enable it to expand in ways it might not have otherwise. Make sure to talk with the agency or economic development team that has awarded you the incentive. They like sharing success stories as much as you like the publicity!

Stick To Your Business Plan

Business plans exist for a reason—they just work. A business plan is the best way to plan for your company's growth. If you haven't drafted a business plan for your enterprise, do it. Once you've done it, stick with it.

Drafting a business plan doesn't need to intimidate you. There are freelancers out there that can help you quickly draft one, if need be. Having one, however, is essential to monitoring your business's progress and ensuring a productive future for your company. Resources such as your local Small Business Development Center can also assist you with drafting a business plan. Visit americassbdc.org to learn more.

Of course, things change, and you may have to revisit and revise the business plan. Don't be afraid to ask for help. Utilize your business plan as a compare and contrast when real world changes happen and leverage it as a baseline to make informed decisions and adjustments to the new realities of your business's economic landscape.

Keep Up With New Economic Incentives/Programs

Economic incentives evolve over time. The opportunities available to you and your company won't stay the same on either the municipal, state, or even at the federal level. Stay on top of what's going on with incentives in your region.

Your engagement with economic incentives is all about new opportunities. It is our hope that this is your primary takeaway from this book. Economic incentives are out there, ready and waiting to help you and your business. Once you have incorporated them into your business, they can open new opportunities for your company. Take advantage of this and continue to strive towards a new future of productivity and profitability for your business.

THANK YOU

Thank you for taking the risk of starting and growing a business here in the United States. We know it’s not easy, but you are unequivocally the backbone of our economy, and we appreciate you.

WHAT PEOPLE ARE SAYING

Subcity has helped my clients to find tax incentives that are available to them in jurisdictions around the country. It's a great service that has resulted in millions of dollars for my clients

David Madden, CEO Sequoia Risk Management & Insurance Solutions

As the leading digital meeting place for businesses and commercial lenders, Bridge understands how important access to capital is for America's business owners. Subcity aims to bring the same access to capital via government incentives and tax credits and this book is the guide that we all need. We will certainly be sharing with our business owners and 75+ lending partners nationwide. We've already seen firsthand examples of tax credit incentives helping a borrower cut their interest rate by more than half!

Rohit Mathur, CEO of Bridge by Citi

The tax credit application process was overwhelming but Subcity made it simple.
Subcity is leveling the playing field and placing government dollars back into the hands of companies that represent the backbone of American economic growth.

Tom Ramhorst, COO Dr. Squatch

Working with the Subcity team was a great experience and very successful. They took a complicated process in dealing with a utility and were able to coach us through it saving us 12% on our power bill for the next 5 years!.

Brandon Levin, CEO Justice Design Group

Alexander S. White

Gil Gonzales

Alex White and Gil Gonzales co-founded Subcity with Chris Clark in 2021. Subcity is on a mission to democratize access to capital for America's small businesses. Subcity has digitized $100 billion dollars of local, state, and federal government incentives and tax credits and empowers business owners and their finance teams to match and apply for the programs that were designed to help them succeed. Since launch, Subcity has enabled hundreds of clients nationwide to claim tens of millions in economic incentives and tax credits.

Gil Gonzales has negotiated over $160 million in incentives for various companies and he is the author of the first edition of this book: Government Incentives: The Insider's Guide to Government Financing for Your Small Business. Mr. Gonzales is a former Director with the federally-funded California branch of the Manufacturing Extension Partnership, a former Appointee to Governor Brown in the California Office of Business and Economic Development, a former Vice President of Economic Development for the Arizona Commerce Authority, and a former Senior Director to Los Angeles Mayor Antonio Villaraigosa.

Alex White is a two-time entrepreneur with a focus on collective intelligence and predictive analytics in complex adaptive systems. Prior to starting Subcity, Mr. White was the CEO of a data analytics company focused on the music industry from 2008 until the startup, Next Big Sound, was acquired by Pandora/SiriusXM in 2015.

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