



# nerej

## Expanding your business and unlocking value

April 06, 2010 - Spotlights

In recent months, the country's top economists have predicted that the recession is ending. While it may still take a while for many to feel its effect, there are already signs that the economy is improving.

Although some Massachusetts companies delayed their expansion plans last year, many recession-proof companies continued to thrive and expanded their operations across the state in 2009 due to a growing demand for their products and services. In turn, these expansions sparked economic development in communities during challenging economic times by creating new jobs, tax revenue and infusing cash into the local economy.

While a soft real estate market may generate some savings, companies should investigate available local and state tax incentives. Knowing where, when and how to find and access these programs is the key to saving thousands or even millions of tax dollars in the future.

Earlier this year, new legislative changes were made to the Massachusetts Economic Development Incentive Program. To find out if your client or company is eligible for these incentives, here's what you need to know:

First, find out whether or not your company is located in an Economic Target Area. In order to apply for and receive state and local incentives, your company must be located in an Economic Target Area (ETA). There are approximately 210 ETAs in Massachusetts. However, under the recent legislative changes, incentives are available in non-ETAs if the project meets specific criteria.

Planning a real estate investment? Tax incentives may be available if you plan to renovate a leased or purchased building or construct a new facility.

Does your company generate sales outside of Massachusetts? It must in order to be eligible for state and local incentives. This is one of the new requirements that went into effect January 1, 2010.

Are you planning to create new jobs with this expansion? If so, you could receive "Certified Project" status. This designation allows your company to access a variety of incentives that could include:

- \* State EDIP investment tax credit (ITC): a tax credit for qualifying depreciable assets, the new laws cap the ITC at \$25 million annually;
- \* State 10% abandoned building tax deduction: for costs associated with renovating an abandoned building;
- \* Local Tax Increment Financing: a negotiated five to 20 year real estate tax exemption based on the increased value of the project property due to new construction or other significant improvements;
- \* Local Personal Property Exemption: personal property tax relief from five to 20 years on new and existing personal property with Tax Increment Financing; or
- \* Local Special Tax Assessment: a negotiated four to 20 year property tax exemption on the total

base value of the project property.

After you have identified the available incentives and determined that the program criteria meet your project requirements, you must receive approval from various municipal boards, city council or town meeting and eventually, the state. Having diplomatic negotiating skills are essential as you will need to present an informative and engaging project plan at several community sessions.

A real estate expansion is an exciting chapter in a company's history. Taking the time to learn about, apply for and secure these incentives will ensure that in addition to securing the perfect location, the long-term financial benefits realized through these incentive programs will help keep your company on the fast track.

Lynn Tokarczyk is president of Business Development Strategies, Inc., a government incentives consulting firm, Medway, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540