North Dakota

Doing Business Better.

Financing & Incentives

North Dakota
LEGENDARY

Financing and Incentives

North Dakota offers many finance and tax incentives which benefit primary sector businesses and corporations. The Department of Commerce is responsible for certifying primary sector businesses and this certification is required for several of the tax incentives outlined in this document.

This section contains three separate topics:

1. Financing
2. Tax incentives
3. Training

In addition to these finance and tax incentives, many local and federal incentives are made independently with the client or prospective company involved.

"Primary sector" is defined as an individual, corporation, partnership or association which, through the employment of knowledge or labor, adds value to a product, process or services that result in the creation of new wealth.

Note: Not all finance and tax incentives listed here may apply to your project.

Local Financing Opportunities

North Dakota Opportunity Fund

Provider: Lewis & Clark Regional Development Council *http://www.lewisandclarkrdc.org/programs/nd-opportunity-fund/*

The State Small Business Credit Initiative (SSBCI) was created to leverage private financing to help small businesses and manufacturers attain loans and investments needed to expand and create jobs.

Credit Criteria – SSBCI bases its credit decisions on the following criteria:

1. The business must meet the eligibility requirements of the SSBCI program.
2. The business must show the ability to service the debt.
3. The management of the business must have the ability to conduct the business and show commitment to the project.
4. The payment history of the business with other lenders and creditors must be satisfactory.
5. The review of proposed collateral must be acceptable.
6. The credit history of borrowers and guarantors of the loan must be satisfactory.
7. SSBCI loan proceeds must not exceed more than 50% of the proposed project costs.
8. SSBCI Loan will not exceed $1,000,000.

Eligible Loan Uses –

1. Construction
2. Equipment
3. Working Capital
4. Real Estate
5. Interim SBA 504 loans

Rates and Terms – The Loan Participation Program will offer rates ranging from 4% to market rate. Projects perceived as having a high development impact or providing assistance to minority or underserved persons, or businesses impacted by natural disasters, are eligible for the most attractive rates.

Terms vary by asset type. The term will be determined on a project by project basis with the general terms as follows:

1. Construction – 12 to 24 months
2. Equipment – 36 to 120 months
3. Working Capital/Inventory – 12 to 60 months
4. Real Estate – 120 to 240 months
5. Interim SBA 504 loans – 30 and 90 days.

Collateral – All loans will be secured. The SSBCI will secure either a first, shared first, or junior security position on the assets or other forms of collateral of the project.

Fees – Borrower will be required to pay a $100 application fee. Application fee will be applied to origination fee if the loan is approved and funded.

Borrower will be charged up to a 2% origination fee. Generally, the origination fee will be 1% of the SSBCI Loan amount.

Projects need to be located in, or provide benefit to, a participating city or tribe to be eligible for the program. Participating municipalities are the cities of Almont, Beach, Beulah, Bismarck, Bowman, Carson, Casselton, Crosby, Dickinson, Dodge, Dunn Center, Fargo, Garrison, Glen Ullin, Halliday, Hazelton, Hazen,

Local Financing Opportunities

Hebron, Hettinger, Killdeer, Lincoln, Linton, Mandan, McClusky, Minot, Mott, New England, New Salem, Regent, Sentinel Butte, Steele, Turtle Lake, Underwood, Watford City, West Fargo, Williston and Wilton, as well as the Standing Rock Sioux Tribe.

Red River Corridor Fund

Provider: Red River Corridor Fund *http://www.theresearchcorridor.com/*

The Red River Corridor Fund will provide greater access to capital for small businesses by making it less risky for banks to make loans and by helping make regional angel and seed funds more robust. SSBCI funds must be leveraged 10:1 with private match, thereby catalyzing $34 million of lending and investment activity in the region and the state. The result will be more successful startup companies and increased availability of capital for companies wanting to expand and grow. In addition, building a relationship with DCN and Cimarron Capital Partners will enhance access to investment capital for the entire state.

The Red River Corridor Fund offers two programs:

- Credit Guarantee Program (CGP) The Fund will launch with a $2.7 million CGP, extending credit enhancement to support small business loans. In general, the program will purchase a CD at a bank and pledge the CD as a partial guarantee for a qualifying loan, favoring new working capital loans and revolving lines of credit.
- Red River Angel Fund (RRAF) The RRAF is a series LLC whereby a new series is created for each new investment in an operating company. RRCF will invest $400,000 in a number of series of RRAF that in turn invests in a qualifying business. Across the full number of series supported by RRCF, the capital of RRCF must be matched by other investors committing an equal or greater amount.

State Financing Opportunities

Agricultural Products Utilization Commission (APUC)

Provider: ND Department of Commerce *http://www.business.nd.gov/businessInformation/apuc/*
N.D.C.C. § 54–34.3–11 *http://www.legis.nd.gov/cencode/t54c34-3.pdf*

The mission of APUC is to create wealth and jobs though the development of new and expanded uses of North Dakota's agricultural products. This is accomplished through the administration of a grant program.

Applicants can present funding proposals for these categories on a quarterly basis: basic and applied research grants, marketing and utilization grants, farm diversification grants, and an agricultural prototype development grant program.

Please note: Qualifying APUC grants are for North Dakota companies that add value to a raw North Dakota agriculture commodity.

Agriculture Partnership in Assisting Community Expansion (Ag PACE)

Provider: Bank of North Dakota *http://www.bankndnd.gov/*
N.D.C.C. § 6-09.13 *http://www.legis.nd.gov/cencode/t06c09-13.pdf?20140311145154*

This program has been established to buy down the interest rate on loans to farmers who are investing in other nontraditional agriculture activities to supplement farm income.

Qualified Projects –Loan funds received under this program must be used for an on–farm business which is integrated into the farm operation and is intended to supplement farm income to allow the farmer to continue farming. Funds may be used for the purchase of real property, equipment, expansion, working capital and the purchase of inventory. Loan funds may not be used to refinance any existing debt.

This program is also available for nontraditional agriculture activities as defined further in the link referenced above.

Qualifying borrowers will receive an interest buy down that can reduce the interest rate by up to 4%. This buy down can amount to an interest savings of approximately $20,000 per project or biennium with a lifetime cap of $60,000. Eligible applicants for interest buy down dollars exceeding $20,000 must have a net worth of less than $1,000,000. The State Water Commission funds, not exceeding $20,000 per borrower, may also be used to supplement Ag PACE funds for the purchase of irrigation equipment on new irrigated acreage.

Beginning Entrepreneur Loan Guarantee Program

Provider: Bank of North Dakota *http://www.bankndnd.gov/*
N.D.C.C. § 6-09.15 *http://www.legis.nd.gov/cencode/t06c09-15.pdf?20140311145315*

This program is designed to assist in business start–up financing by providing a financial institution with up to eighty–five percent guaranty of a loan not to exceed two hundred thousand dollars.

Beginning Farmer Farm Loans (Revolving Loan Fund)

Provider: Bank of ND *http://bankndnd.gov/lending_services/farm_ranch_financing_programs/beginning_farmer_loan_programs.html*
N.D.C.C. § 6-09.8 *http://www.legis.nd.gov/cencode/t06c09-8.pdf?20140311150512*

The Bank may make direct loans to beginning farmers for the purchase of farm real estate and may participate in loans to beginning farmers for the purchase of equipment and livestock.

A beginning farmer is any person who meets all of the following:

1. The person is a resident of North Dakota whose principal occupation is or will be the production of an agricultural commodity on a family farm.

2. The person intends to use the real estate, equipment, or livestock to be purchased for agricultural purposes.
3. The person has a net worth, including that of any dependents and spouse, of less than $750,000.
4. Real Estate Only – The person may not have previously owned any substantial farmland greater than 30% of the average farm size in the county where the parcel is located.
5. Chattel Only – The person may not have previously farmed for more than 15 years.

Beginning Farmer Real Estate Program – A direct real estate loan may not exceed 75% of the current appraised value of the farm real estate on which the Bank receives a first mortgage as security for the repayment of the loan and may not in any event exceed $500,000. The person is restricted to a lifetime cap of $500,000 under this program for the purchase of real estate.

The term of a loan made from this fund may not exceed 30 years. The interest rate will be fixed at one percent below the Bank's then current base rate for the first five years of a real estate loan with a maximum interest rate of six percent per year and variable at one percent below the bank's then current base rate for the next five years adjusted annually on the anniversary date. For the remaining period of a loan, interest must be charged at the Bank's base rate as in effect from time to time and may float.

During the first ten years of a real estate loan made starting July 1, 1995, the loan may be refinanced under the BND Established Farmer or State Land Department Loan programs with no cost to the borrower. The borrower must meet all other requirements of the program selected.

Beginning Farmer Chattel Program – A participation loan for the purchase of equipment or livestock may not exceed 80% of the agricultural collateral value on which the Bank receives a first security interest as collateral for the repayment of the loan. The Bank is required to participate in at least 50% of the total loan, and not more than 80%, with the balance to be retained by the lead lender.

The total loan amount may not exceed $750,000. The person is restricted to a lifetime cap of $500,000 for the purchase of equipment or livestock. The term may not exceed 7 years.

The interest rate on the Bank's share of the chattel loan will be fixed at one percent below the Bank's then current base rate for the first five years with a maximum interest rate of six percent per year and variable at one percent below the bank's then current base rate for the next two years adjusted annually.

The lead lender's share of the chattel loan will be set according to prevailing market rates, but may not exceed 2% over the Bank's base rate. Interest buy down funds, to the extent available, will be used to reduce the lead lender's rate by 4% subject to a minimum rate of 1% to the borrower.

Biofuels PACE

Provider: Bank of North Dakota *http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/biofuels_PACE_Program.html*
N.D.C.C. § 17-03 *http://www.legis.nd.gov/cencode/t17c03.pdf?20141126135406*

Biofuels PACE (Biofuels Partnership in Assisting Community Expansion) was established to buy down the interest rate on loans to biodiesel and ethanol production facilities, and livestock operations.

- Recipients of Biofuels PACE are not eligible for regular PACE funds
- Interest buy down of up to 5.0% below the commercial note rate
- No community match required
- Existing PACE Program parameters (interest rate buy down maximum, BND's participation amounts, and default) apply to Biofuels PACE
- Loan funds may not be used to refinance any existing debt or for relocation within the state.

State Financing Opportunities

- Requires a lead lender

Ethanol Production Criteria

- Production facility must be located in North Dakota
- Facility must produce agriculturally derived denatured ethanol
- Fuel must be suitable for blending with a petroleum product for use in internal combustion engines
- Project maximum – $500,000 of interest buy down
- Loan terms – 7 to 12 years
- Equity – 40% to 50%

Biodiesel Production Criteria

- Production facility must be located in North Dakota
- Facility must produce biodegradable, combustible liquid fuel derived from vegetable oil or animal fat
- Fuel must be suitable for blending with diesel fuel for use in internal combustion diesel engines
- Project maximum – $500,000 of interest buy down
- Loan terms – 7 to 12 years
- Equity – 40% to 50%

Green Diesel Production Criteria

- Production facility must be located in North Dakota
- Facility must produce fuel derived from non-fossil renewable resources
- Fuel must be suitable for blending with diesel fuel for use in internal combustion diesel engines
- Project maximum - $500,000 of interest buy down
- Loan terms – 7 to 12 years
- Equity – 40% to 50%

Livestock Operations Criteria

- Livestock operations located in North Dakota that feed, handle, milk, or hold livestock while using a byproduct produced at a biodiesel or an ethanol production facility
- Eligible uses are for the purchase or construction of real property, expansion of facilities, and purchase or installation of equipment including biodigester systems
- Project maximum – $250,000 of interest buy down to any single livestock operation
- Loan terms – 5 to 15 years
- Equity – 40%

Business Development Loan Program

Provider: Bank of ND *http://banknd.nd.gov/lending_services/business_financing_programs/business_development_loan_program.html*
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140311152620*

The Business Development Loan Program is designed to assist new and existing businesses in obtaining loans that have a higher degree of risk than would normally be acceptable to a lending institution. The maximum limit is $500,000 per project. Proceeds can be used for working capital, equipment and real property or refinancing. Interest rate is variable at Prime less .50% or fixed at comparable FHLB plus 2.25%. Terms average 1–5 years for working capital, 5–7 years for equip, and 12–15 years for real estate.

State Financing Opportunities

Community Development Block Grant/Loan Fund (CDBG/CDLF)

Provider: ND Department of Commerce *http://www.communityservices.nd.gov/community/block-grant/*
N.D.C.C. § 54−44.5−05 *http://www.legis.nd.gov/cencode/t54c44-5.pdf*

The Department of Commerce also administers the Community Development Block Grant (CDBG) program for North Dakota. These funds are awarded to communities for real property, site improvements and infrastructure, and as a guarantee to fund working capital. They are designed to assist primary sector and retail sector businesses looking to establish or expand in communities and can be debt or equity.

EB−5 Program

Provider: North Dakota/Northwest Minnesota EB−5 Regional Center *http://ndmneb5.com/*

The North Dakota/Northwest Minnesota EB−5 Regional Center serves as a channel for foreign dollars to be used for economic development purposes, job creation and improved productivity. Investment may be in new commercial enterprises, restructuring of an existing business or creation of an original business.

Benefits to Company

$500,000−$1,000,000 Equity Investment: Companies will receive $1,000,000 per EB−5 investor unless the project is in a Target Employment Area (TEA); then the minimum investment is reduced to $500,000. While the larger investment size may seem appealing, it is more difficult to attract investors to projects located in non−TEA zone. Investments are in the form of a direct equity investment or a structured loan.

Flexible Terms and Structures: Projects may be structured on an interest only basis or with deferred payments of interest or other flexible terms, not available from traditional sources.

Direct Access to International Investors: The North Dakota/ Minnesota EB−5 Regional Center helps companies gain direct access to foreign investors through our established international partnerships and agent relationships.

No Long−Term Loss of Equity in your Company: EB−5 investors have three goals: 1) to obtain permanent residency,
2) repayment of the principle investment, and 3) some rate of return on their investment. Unlike a typical equity investor, EB−5 investors are generally more focused on an exit within five years, rather than high return on their investment.

Minimum Project Requirements

1. New, Expanding Company, or Troubled Business
   - New: created or restructured after November 19, 1990
   - Expanding: existing net worth or number of employees by a minimum of 40%
   - Troubled: has existed for at least 2 years and incurred a net loss of at least 20% during the previous 12−24 month period. If investing in a trouble business investor petitions to the USCIS can be based on jobs ‘saved’ by the investment verses the investment creating 10 new U.S. jobs.
2. Geographic Region− Project must be in the state of North Dakota or Minnesota.
3. Industry Sectors: Accommodation and Food Services, Agribusiness, Aviation/Aerospace, Biotech/Bioscience, Construction, Health Care and Social Assistance, Information

Technology/Communications, Machinery Manufacturing, Manufacturing (sector 32), Real Estate and Rental and Leasing, Transportation and Warehousing, and Utilities.

4. Create 10 jobs per EB–5 Investor– A project must be able to create at least 10 full–time jobs for qualifying U.S. workers within two years of the investment per EB–5 investor. When working through a regional center indirect/ induced jobs, in addition to direct jobs, count towards job creation.
5. Clear Exit within 5 Years– EB–5 investors are looking for quick exits from their investments. Most EB–5 projects return investors principals plus interest within 5 years of the initial investment.
6. Investment Structure– The North Dakota/ Minnesota EB–5 Regional Center sets additional parameters on the percent of EB–5 investment in the funding mix. They look for projects that have obtained or are on track to secure bank loans, equity investments, EB–5 investments, bonds, and government financing.

Established Farmer Real Estate Loan Program

Provider: Bank of North Dakota
http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/established_farmer_real_estate_loan_program.html
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140311153241*

The Bank may make direct loans to farmers for agricultural purposes. The borrower must be a North Dakota resident.

A farm real estate loan must be secured by a first mortgage on real estate in North Dakota and may not exceed 65% of the current appraised value of the real estate subject to the mortgage or $2,000,000, whichever is less.

The term of a farm real estate loan may not exceed 25 years.

The interest rate may be fixed or variable.

The Bank may require the borrower to pay an origination fee.

Events Matched Grant

Provider: ND Department of Commerce – Tourism Division
http://www.ndtourism.com/sites/default/master/files/pdf/2015TourismEventGrantGuidelines.pdf
N.D.C.C. § 54-34.4 *http://www.legis.nd.gov/cencode/t54c34-4.pdf?20140311155619*

The Events Matched Grant Program has funds available for communities, and event promoters wanting to regionally promote their tourism–related event.

Export Enhancement Program

Provider: Bank of North Dakota *http://banknd.nd.gov/lending_services/pdfs/Export_Enhancement_Program_January_2013.pdf*
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140311153241*

The Export Enhancement Program is a financing tool for foreign buyers purchasing equipment from North Dakota manufacturers. Loans are made by the Bank of North Dakota and are guaranteed by the Export-Import Bank of the United States utilizing their medium-term credits program. Community financial institutions may participate in the loans.

The loan requires a down payment of at least 15 percent of the contract amount prior to shipment and a signed promissory note for the balance. The minimum transaction size is $200,000.

State Financing Opportunities

Eligibility is based on the financial strength of the foreign buyer, as well as the financial and political stability of the country where the buyer is located, as determine by Ex-Im Bank.

Family Farm Loan Program

Provider: Bank of North Dakota *http://визbanknd.nd.gov/lending_services/farm_ranch_financing_programs/family_farm_loan_program.html*
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140312115237*

The minimum eligibility requirements are: 1) 18 years of age; 2) a farmer; 3) experience and training necessary to operate a family farm, and 4) net worth that does not exceed $750,000.

The types of farm loans which the Bank will purchase participation interests in under this program can generally be grouped into five categories:

- The purchase or the refinancing of agricultural real estate.
- Permanent improvements to agricultural real estate.
- The purchase, or refinancing, of farm equipment.
- The purchase, or refinancing, of livestock.
- Restructuring operating debt carry−over.

A loan made under items 1 or 2 must be secured by a first lien on the real property which is the subject of the loan and the total loan amount may not exceed 75% of the current appraised value of the real estate. The Bank must be provided with an acceptable appraisal conducted by an independent, qualified appraiser. The term of loans under 1 or 2 may not exceed 30 years.

A loan for the purchase or refinancing of farm equipment or livestock must be secured by a first lien and may not exceed 75% of the appraised value. The term may not exceed 7 years.

A loan for the restructuring of operating debt carry−over may not exceed 85% of the appraised value of the security being offered and all available security must be pledged to the loan. The term may not exceed 5 years.

The interest rate on BND's percentage will float at 1% below BND's base rate. However, at no time will the interest rate exceed 11%. The maximum interest rate on the lead lender's percentage shall not exceed BND's base rate plus 2% and may float. There is no total loan limitation. BND's participated share is limited to the lessor of $500,000 or 90% of the total loan amount.

Farm and Ranch Bank Participation Loan Program

http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/farm_and_ranch_bank_particip ation_loan_program.html

BND's participation loan program is founded on the principles that all loans should:

- Serve the legitimate credit needs of the state
- Be made on a sound and collectible basis

The total loans and extensions outstanding at any one time to a single borrower may not exceed 15% of BND's total capital. All loans are reviewed in accordance with BND's lending policies and sound banking practices including, but not limited to, the intended purpose of the loan, the ability to repay, the operation and its management and the feasibility of the project.

Use of Proceeds - BND will consider a broad range of loan applications. Desirable loans include, but are not limited to, the following:

- Construction, conversion, expansion, repair and update of farm improvements
- Purchase of real estate
- Purchase of livestock
- Purchase, repair and update equipment
- Operating needs
- Refinancing an existing loan
- For any other reasonable agricultural purpose

Equity - Each loan is reviewed on its own merits. The amount of equity required is evaluated along with all other elements of the operation.

Collateral - Adequate collateral will generally be required to protect the interest of BND. The collateral must be of such a nature that repayment of a loan is reasonably assured.

Interest Rate - The interest rate on BND's participation percentage is set in accordance with either the loan policies for the program or the current market rate for similar loans. Such factors as risk, liquidity of collateral, equity position, repayment and the term of the loan will all be taken into consideration.

Repayment Terms - BND will place primary emphasis upon a borrower's ability to repay a loan rather than upon the collateral pledged as security. BND will participate in a loan only when a specific source of repayment can be identified and agreed upon by all parties. Such a source must reasonably assure repayment. The repayment terms assigned to these loans will vary depending upon the use of the proceeds as well as the overall nature of the business. The following maturities can be used as a general guideline for the term of loans.

- Real Estate: 15 to 25 Years
- Equipment and Livestock: 5 to 7 years

Farm Operating Loan Program

Provider: Bank of North Dakota http://载knd.nd.gov/lending_services/farm_ranch_financing_programs/farm_operating_loan_program.html
N.D.C.C. § 6-09-15 http://www.legis.nd.gov/cencode/t06c09.pdf?20140312115237

The Bank may participate in farm operating loans with the minimum requirements for eligibility as a "farmer" as follows:

- Must be a resident of North Dakota who owns or operates an existing farm or ranch operation.
- Has a debt to asset ratio of 50% or greater, or a net worth of less than $750,000.

The amount of the Bank's participation interest in a farm operating loan may not exceed the lesser of 65% of the total loan amount or $500,000.

Operating expenses which are eligible to be financed through the Bank under this program include, but are not limited to, the current year's cash rent, grassland fees, parts and repairs, fuel and oil, transportation, labor, insurance (casualty, crop, and hail), combining, seed, fertilizer and chemicals, minerals and salt, feed, the purchase of resale livestock, veterinarian fees, living expenses, and the Bank's commitment fee. Operating expenses which are not eligible to be financed through the Bank under this program include, but are not limited to, the payment of delinquent bills, interest payments, principal payments for the purchase of real estate, and principal payments for the purchase of machinery and equipment.

The term of an operating loan under this program may not be longer than 1 year.

To be eligible for participation by the Bank, an operating loan must be secured by a current crop mortgage or a first lien against all livestock. A pledge of FSA payments and the proceeds of any other governmental contracts must be obtained when available. The Bank and the originating financial institution shall determine whether a borrower must obtain insurance on property pledged as security for a loan. Additional security may be taken as appropriate.

The interest rate charged by the lead financial institution to the borrower on the Bank's participation interest in an operating loan shall float at 1% less than the Bank's base rate as in effect from time to time. The interest rate charged by the lead financial institution on its share of a loan may not exceed the Bank's base rate plus 2% and may float.

Farm Real Estate Loan Guarantee Program

Provider: Bank of North Dakota
http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/farm_real_estate_loan_guarantee_program.html
N.D.C.C. § 6-09.7-09 *http://www.legis.nd.gov/cencode/t06c09-7.pdf?20140313140457*

The Bank may guarantee loans for the purchase of agricultural real estate or the restructuring of agricultural real estate loans to North Dakota residents by banks, credit unions, lending associations that are part of the farm credit system, and savings and loan associations in the state of North Dakota.

A loan guarantee means an agreement that in the event of default under the promissory note, the Bank shall pay the lender the amount agreed upon up to 75% of the amount of principal due the lender on a loan at the time the claim is approved by the bank. The loan guarantee may not exceed 5 years. The maximum loan to certified appraised value of the agricultural real estate may not exceed 80%. The farm real estate loan must be secured by a first mortgage on real estate located in North Dakota. The total of agricultural real estate loans to be guaranteed may not exceed $400,000 to an individual borrower.

The bank will charge a guarantee fee equal to .5% per year or a one-time fee of 1.5% of the loan guarantee amount. The annual guaranty fee may be included in the interest rate charged by the lender. The lender may not charge more than 2% above BND's base rate for variable rate loans and 3 ½% over the corresponding Federal Home Loan Bank Advance Rate on fixed rate loans.

First Time Farmer Finance Program

http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/first_time_farmer_finance_program.html

The North Dakota First Time Farmer Finance program (NDFTFFP) is a tax-exempt bond program designed to assist First Time Farmers in the state of North Dakota to acquire agricultural property at lower interest rates. Bank of North Dakota (BND), acting as the Farm Finance Agency, determines the eligibility of the applicant and also approves and issues the bond. The bond then is assigned to a Bond Purchaser which typically is a financial institution or contract holder. Since the interest received by the Bond Purchaser is exempt from state and federal tax, the interest rate to the First Time Farmer is at a lower rate.

Borrower - A First Time Farmer is required to meet the following criteria:

A First Time Farmer must be a North Dakota resident at time of funding.

- A First Time Farmer must be at least 18 years of age.
- A First Time Farmer is a person who has never had any direct or indirect ownership interest in Substantial Farmland in the operation of which he/she has materially participated. An ownership interest or material participation by a person's spouse or child will be attributed to the person as well.
- A First Time Farmer must have a net worth of not more than $750,000.
- The agricultural land, agricultural improvements and depreciable agricultural property shall be used for farming by the First Time Farmer, spouse, or minor children.

Use of Proceeds – Finance the purchase of ND land suitable for use in farming, finance the construction or purchase of improvements located on agricultural land, or the purchase of personal property suitable for use in farming for which an income tax deduction for depreciation is allowed in computing federal income taxes. The loan maximum is $509,600 for agricultural land and improvements. No more than $250,000 of the $509,600 aggregate loan amount can be used for Agricultural Improvements and Depreciable Agricultural Chattel Property. In addition, within the $250,000 limitation, no more than $62,500 can be used for Depreciable Agricultural Chattel Property. The interest rate is a tax-exempt rate negotiated by the First Time Farmer and the Bond Purchaser.

Flex Pace

Provider: Bank of North Dakota *http://banknd.nd.gov/lending_services/business_financing_programs/flex_PACE_program.html*
N.D.C.C. § 6-09.14 *http://www.legis.nd.gov/cencode/t06c09-14.pdf?20140313140628*

Qualified Businesses –This special feature of the PACE program will provide interest buy down to non-PACE qualifying businesses where the Community determines eligibility and accountability standards. Flex PACE will allow communities the ability to provide assistance to businesses that would not meet the current requirements of PACE such as: jobs retention, technology creation with no new jobs, retail, smaller tourist businesses and essential community businesses.

Jobs Qualification - Jobs creation will not be a requirement of Flex PACE, but jobs will be tracked for informational purposes.

FLEX PACE Funding-Each biennium, BND will designate a portion of the existing PACE funds for Flex PACE, but this designation is not an exclusive reservation of the funds and therefore will be available for other PACE eligible projects. Each borrower is capped at $100,000 of PACE funds per biennium under Flex PACE.

Parameters -Existing PACE program parameters (ex. interest rate buy down maximum, community match, BND participation amount, default) will apply.

State Financing Opportunities

Fuel Production Facility Loan Guarantee Program

Provider: Bank of North Dakota
http://banknd.nd.gov/lending_services/business_financing_programs/fuel_production_facility_loan_guarantee_program.html
N.D.C.C. § 6-09.7 *http://www.legis.nd.gov/cencode/t06c09-7.pdf?20140312120609*

BND may guarantee loans made to entities intending to construct agriculturally derived fuel production facilities in North Dakota. The program is intended to encourage lenders to provide financing to a fuel production facility by guaranteeing up to 30% of the debt involved in constructing the project. The maximum dollar amount of the guaranty on a single loan may not exceed $25,000,000 and may be used in conjunction with other state and federal funding programs.

The lead lender is any lending institution that is related or funded under the laws of North Dakota or the United States. Upon funding, the lead lender will be responsible for servicing the note and submitting a quarterly Fuel Production Facility Loan Guarantee Program Lender Payment History Form to BND throughout the term of the guaranty. The borrower can be any person or entity intending to construct and operate an agriculturally derived fuel production facility in the State of North Dakota. Application by a lead lender is required to apply for BND's guarantee. The guarantee term may not exceed 15 years. The originating lender's rate of interest on the note must be acceptable to BND. The on–going annual guarantee fee may be included in the rate charged by the lender.

The initial guarantee fee is 2.5% of the guaranteed portion on the note and is due at loan origination. The guarantee fee may be included as an eligible use of the loan proceeds. An on–going guarantee fee equal to .50% of the guaranteed portion of the loan will be due annually throughout the term of the note.

This program can be used in conjunction with other BND loan programs. The Bank may not guarantee more than $25,000,000 at any one time under this program.

Government Guaranteed Loan Purchase Program

Provider: Bank of North Dakota
http://banknd.nd.gov/lending_services/government_guaranteed_loans_for_lenders/government_guaranteed_loan_purchase_program.html
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140312115237*

The Bank may purchase the guaranteed portion of a term loan guaranteed by the Farm Service Agency, Rural Development, or Small Business Administration. The rate may be adjusted quarterly, or fixed for 5 year intervals as described in the link referenced above.

Industrial Development Bond Program (IDB)

Provider: North Dakota Public Finance Authority *http://www.nd.gov/pfa/industrial.html*
N.D.C.C. § 6-09.4 *http://www.legis.nd.gov/cencode/t06c09-4.pdf?20140610101203*

Under its Industrial Development Bond Program (IDB), the Authority makes loans to manufacturers that qualify as small issue manufacturers. Qualified small issue manufacturers are defined within the Internal Revenue Code as "Any facility which is used in the manufacturing or production of tangible personal property including the process resulting in a change in the condition of such property." Within that definition, the qualifying organizations must also meet a capital spending requirement. As part of the legislation that approved the IDB, the Authority is limited to $2,000,000 per project.

State Financing Opportunities

The interest rates paid by a qualifying manufacturer are market rates which are set through a competitive bid process when the Authority issues and sells its program bonds to fund the loan. The interest rates paid by the Authority on its program bonds are the same rates the manufacturer will pay on its loan to the Authority. For manufacturers that qualify, the IDB provides an opportunity to finance fixed assets (buildings and equipment) with tax–exempt long–term fixed rates.

The IDB has been assigned a rating of "A+" by Standard & Poors Rating Group.

Industrial Revenue Bonds (IRB)

Provider: Local Governmental Jurisdiction
N.D.C.C. § 21-12 *http://www.legis.nd.gov/cencode/t21c12.pdf?20140610114525*
N.D.C.C. § 40-57 *http://www.legis.nd.gov/cencode/t40c57.pdf?20140610115556*

Area communities may participate in an economic or industrial development project by lending their name to sell Municipal Industrial Revenue Bonds to help finance a project.

Qualified Small Issue Bonds are permitted under the Internal Revenue Code of 1986 Section 144(a)(4). These tax–exempt bonds can be issued for 'small' manufacturing projects.

There are two types available:

- Tax Exempt IRB's which are issued to finance land and depreciable property for manufacturing facilities. Since the interest earned is exempt from federal income tax, the bonds are sold at a lower interest rate. This lowers the cost of capital for the project. The maximum bond amount is $10,000,000.
- Taxable IRB's typically have higher rates than the tax exempt bonds. There are no restrictions on the use or amount of the issue on taxable IRB's.

Lignite Research, Development and Marketing Program

Provider: Lignite Energy Council *https://www.lignite.com/become-a-member/our-programs/research-development/*
N.D.C.C. § 54-17.5 *http://www.legis.nd.gov/cencode/t54c17-5.pdf?20140313151916*

North Dakota's Lignite Research, Development and Marketing Program is a multi–million dollar state/industry partnership that concentrates on near term, practical research and development projects that provide the opportunity to preserve and enhance development of our state's abundant lignite resources.

The Program is funded by approximately 10 cents per ton from the North Dakota coal severance tax. With annual production at approximately 30 million tons per year, about $3 million is available each year for the Lignite Research, Development and Marketing Program.

Grants since the program's inception in 1987 have been used to:

- Help diversify the Great Plains Synfuels Plant
- Improve methods for more efficient and cost–effective reclamation
- Find cleaner ways to burn lignite in existing boilers
- Identify new market opportunities
- Meet new challenges from proposed environmental regulations.

Projects involve either lignite marketing feasibility studies, small research projects or demonstration projects. Grant round deadline dates will be April 1 and October 1. Special dates may be established by the Industrial Commission of North Dakota.

Liquefied Gas Processing Sales Tax Exemption

http://www.nd.gov/tax/taxincentives/sales/liquefiedgasprocessing.html

A sales and use tax exemption may be granted for purchasing tangible personal property used to construct or expand a processing facility in North Dakota that produces liquefied natural gas.

Livestock Pollution Prevention Program (LP3) – Section 319 Clean Water Act (Cost Share Program)

Provider: North Dakota Department of Agriculture *http://www.nd.gov/ndda/program/livestock-pollution-prevention-program*

Two options for cost share assistance*:*

Partial containment option:

Cost share of up to 60% of eligible expenses up to $25,000 for:

- Clean water diversions
- Winter grazing systems which include portable windbreaks and waterlines/waterers.

Full containment option:

Cost share up to 60% of eligible expenses up to $175,000 for:

- Excavation
- Ponds
- Lots
- Diversions
- Heavy use pads
- Fencing
- Waterers
- Access roads
- Windbreaks

Livestock Waste Management System Loan Program

Provider: Bank of North Dakota
http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/livestock_waste_mgmt_loan_program.html
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140313154121*

The primary purpose of this program is to reduce and/or prevent water quality impacts associated with livestock waste by providing low interest financial assistance to livestock producers for installing waste management facilities. Eligibility will be determined by approval of applications by the North Dakota Department of Health.

The Bank may participate in loans to livestock producers for installing waste management facilities in North Dakota.

State Financing Opportunities

Loan proceeds may be used for the purchase of materials and/or services for the design or construction of an approved waste management system. Adequate collateral protection must be provided.

Funds for this program will be provided by SRF dollars available to the North Dakota Department of Health and managed by the North Dakota Public Finance Authority. The maximum loan amount will not exceed $100,000 per borrower. The term of a loan may not exceed 10 years. The interest rate is fixed at 5% for 10 years, which includes a .25% service fee. All fees and loan costs in connection with a loan application and loan closing must be paid by the borrower.

Local Rail Freight Assistance Program (LRFA)/Freight Rail Improvement Program (FRIP)

Provider: ND Department of Transportation https://www.dot.nd.gov/divisions/planning/docs/NDDOTRailFundLoanApplicationInstructions.pdf

The North Dakota LRFA loan program makes available reduced-interest loans, primarily for infrastructure projects on short line railroads. The funds have retained their federal identity. The program was created to keep the state rail assistance funds from being depleted and to provide railroads with an alternative to commercial lending sources. The low interest rate and 10-year repayment period help improve railroad cash flow. The LRFA loan fund retains the principal from repaid loans, plus the interest the LRFA account itself bears.

A second revolving loan fund, called the Freight Rail Improvement Program (FRIP) fund, uses interest from repaid LRFA loans as a funding source. FRIP is similar in purpose to LRFA, but the funds are state funds and there is more latitude allowed in their use. FRIP is funded with interest from repaid LRFA loans, principal and interest from repaid FRIP loans, and the interest the account itself bears.

Three potential purposes or uses of federal financial assistance to states under LRFA include:
1. rail line acquisition
2. rail line rehabilitation
3. construction of new facilities

Federal funds may also be used for building rail or rail related facilities that will improve the quality and efficiency of the state's rail freight transportation system. Eligible uses include new connections between at least two existing rail lines, intermodal freight terminals, sidings, bridges, and relocation of existing lines.

Three basic conditions must be met for a project to be eligible for LRFA funds:
1. The railroad must certify that the rail line meets traffic density criteria;
2. The ratio of benefits to costs for the project must be greater than 1:1; and
3. The state where the project resides must have an adequate plan for rail transportation service in the state and a suitable process for updating, revising, and modifying the plan.

FRIP loan guidelines generally mirror those of LRFA. Eligible FRIP applicants include counties, cities, railroads, and current or potential users of freight railroad service. An eligible project generally is one in which the line related to the project has carried less than five million gross ton-miles of freight per mile in the year previous to the year of application and which accomplishes any of the following objectives: rehabilitates a segment of rail line, results in economic development, improves transportation efficiency, promotes safety, promotes the viability of the state freight rail system, assists intermodal freight movement, or provides industry access to the national railroad system. The Director may waive the five million gross ton-miles requirement for a project if is determined that a significant public interest exists.

State Financing Opportunities

FRIP project applications are evaluated on the basis of six criteria, each with a weighted value. The rating system generates a score for establishing project qualification and ranking. The six criteria are: (1) Benefit-cost ratio; (2) Line traffic density (same as LRFA); (3) System connectivity enhancement; (4) Enhancements to North Dakota's economy; (5) Safety and security enhancement of the ND rail system; and (6) Environmental and community impacts.

Annual submissions of projects occur in December. Projects are competitively ranked according to the merit of each particular project. The submissions are evaluated and funding levels determined for the following calendar year. A second submission period occurs at the end of the fiscal year and projects are funded for the remainder of the year, provided the loan funds have not been depleted. New construction projects are funded up to 50 percent of the estimated project costs.

Main Street Loan Program

Provider: Dakota CDC *http://www.dakotacdc.com/programs/main-street/*

Today's economy makes it difficult for emerging businesses or businesses in rural areas to get financing. The Dakota CDC Main Street Loan Program was created to fill this financing void. Loans up to $24,999 will be available from Dakota CDC in participation with a local lenders or economic development organization for small businesses looking to expand or to start a new business. Loans can be used for any business purpose. Only businesses located in North Dakota are eligible to benefit from the Main Street Loan Program. The financing request will be subject to both the local lenders or local economic development organizations credit review as well as Dakota CDC's credit evaluation. Program details are available at www.DakotaCDC.com.

Marketing Matched Grant

Provider: ND Department of Commerce – Tourism Division
http://www.ndtourism.com/sites/default/master/files/pdf/2015MarketingGrantGuidelines.pdf
N.D.C.C. § 54-34.4 *http://www.legis.nd.gov/cencode/t54c34-4.pdf?20140311155619*

The Matched Grant Program has funds available for individual businesses, communities and tourism marketing organizations wanting to promote North Dakota tourism–related programs or projects for the tourism season.

MATCH Program

Provider: Bank of North Dakota *http://bankn d.nd.gov/lending_services/business_financing_programs/MATCH_program.html*
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140313154121*

The MATCH program is designed to encourage and attract financially strong companies to North Dakota. The program is targeted to manufacturing, processing and value–added industries.

Through this program, BND will participate in loans to financially strong companies and provide interest rates at some of the lowest in the nation.

Borrower – The primary candidates for this program are businesses that create new wealth for the state and provide new jobs outside of the retail sector. These companies shall also provide evidence of considerable financial strength, as demonstrated by a long–term credit rating in the "A" category from a national rating agency. If the company does not have a rating or chooses not to obtain such a rating the following substitutions may be made: 1) credit enhancement by a financial institution, 2) guarantee from a federal guaranty agency or another company with a long term rating in the "A" category from a nationally recognized rating agency, and 3) the company may pledge a certificate of deposit or marketable securities of a quality and level satisfactory to BND. If the company's rating is down−graded below the upper medium grade the rate of the loan will increase to a market rate. In addition, financial institutions which do not have an "A" rating but have an established Fed Funds borrowing line at BND can provide the letter of credit on behalf of the borrower. The letter of credit shall provide 100% coverage for BND's portion of the loan and cannot exceed 50% of the Fed Funds line.

Financial institutions will also have the option to pledge Fed Book entry securities to collateralize their letter of credit if they do not have an upper medium grade rating or have a Fed Funds line established at BND.

Use of Proceeds − Loan funds may be used to finance real estate, machinery and equipment and for the purchase or leasing of equipment.

Collateral − To secure the loan, BND requires first lien position on real estate, equipment and other security as may be appropriate. A corporate guaranty may be necessary, if the borrower is a subsidiary and cannot meet the financial strength requirements on a standalone basis.

Interest Rate − BND's portion of the loan is available at an interest rate equal to an equivalent term U.S. Treasury Note rate plus .25% − .50% for all borrowers which have an "A" rating. The interest rate may be adjusted periodically throughout the term of the loan depending upon the conditions of the MATCH funding and the ability of the Borrower to maintain its "A" rating.

If the Fed Funds line formula is used by a financial institution providing a letter of credit, the rate that BND will net is equal to an equivalent term U.S. Treasury Note rate plus .50% − .75%.

Repayment Terms − The term of the loan will vary depending on the loan purpose with a maximum of 15 years.

New Venture Capital Fund

Provider: Bank of North Dakota & North Dakota Development Fund

http://www.business.nd.gov/development_fund/NDDFPrograms/#New Venture Capital

N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140313154121*

The New Venture Capital Program is an innovative financial program that provides flexible financing through debt and equity investments for new or expanding businesses in the state of North Dakota. BND can fund rapidly growing companies which require equity funding.

The Bank may provide funding for early stage companies which can show clear proof of completed product development and market acceptance as evidenced by growing sales. The Bank will invest in a variety of technologies and types of businesses, including North Dakota Department of Commerce strategic target industries. BND will also invest in growth and later stage manufacturing, service and businesses with profitable growth potential.

Business Criteria

- North Dakota industries or businesses that will benefit the state and/or local communities within the state.
- A successful and experienced management team.
- Cooperative management predisposed to communicate and work closely with outside investors toward common goals.

- A market with favorable size, growth and competitive characteristics.
- Adequate capital being raised to support operating objectives.
- Companies working to commercialize university–developed technology within the North Dakota University System.

Loan Limit

The New Venture Capital Program will invest up to $300,000 with appropriate capital structures favoring the following investment instruments:

- Subordinated debt with warrants to acquire common stock.
- Preferred stock with warrants to acquire common stock.
- Common stock.

North Dakota Development Fund

Provider: ND Department of Commerce — *http://www.business.nd.gov/development_fund/*
N.D.C.C. § 10–30.5 — *http://www.legis.nd.gov/cencode/t10c30-5.pdf*

The North Dakota Development Fund provides flexible gap financing through debt and equity investments for new or expanding primary sector businesses. The North Dakota Development Fund also operates the Regional Rural Development Revolving Loan Fund.

The North Dakota Development Fund makes investments of up to $300,000 through direct loans, participation loans, and subordinated debt and equity investments. The board may adjust the limit when deemed appropriate.

Fund Uses and Terms

Use	Amortization
Real Estate	10–15 years, not to exceed 25 years
Equipment	5–7 years, not to exceed 10 years
Working Capital	3–5 years, not to exceed 7 years

Collateral – All loans must be secured with a first or second mortgage in fixed assets, equipment, inventory, or other reasonable sources of available collateral.

Project Criteria – The following is the established criteria for the North Dakota Development Fund:

- The entrepreneur must have a realistic financial commitment at stake. Generally, principals must have a minimum of 15% equity in the project.
- Refinancing of the debt is not eligible.
- Principal shareholders with 20% or greater ownership are generally required to guarantee the debt. Other shareholders may also be required to guarantee.
- The fund will not participate in more than 50% of a projects capitalization needs.
- Financing is available to any primary sector business project except production agriculture.

State Financing Opportunities

Regional Rural Development Revolving Loan Fund

This fund is allocated equally among the state's eight economic regions for projects located more than 5 miles outside the limits of a city with a population less than 8,000.

North Dakota Ethanol Incentive Program Summary

Provider: ND Department of Commerce *http://www.communityservices.nd.gov/renewableenergyprograms/EthanolProductionIncentive/*
N.D.C.C. § 17-02 *http://www.legis.nd.gov/cencode/t17c02.pdf?20140313155912*

The ethanol production incentive currently in place for North Dakota is a counter−cyclical program. This means it helps producers during adverse times when ethanol prices are unusually low and/or corn prices are unusually high. When these prices are normal or better than normal, the incentive is phased out and market conditions are allowed to prevail.

There are two components to the incentive. One component is directly tied to the average North Dakota wholesale ethanol price, as published by Axxis Petroleum, for the preceding quarter. The other is directly tied to the average North Dakota corn price for the preceding quarter, as established by the North Dakota Agricultural Statistics Service.

The ethanol price component is calculated by subtracting the average ND wholesale ethanol price for the quarter, in dollars per gallon, from the baseline price of $1.30 per gallon, and then multiplying the result by the number of gallons produced during the quarter and an incentive factor of 0.2. For example, if a facility produced 12,500,000 gallons during a quarter when ethanol prices averaged $1.10 per gallon, the ethanol portion of the incentive for that quarter would be calculated as follows:

$$(1.30 - 1.10) \times 12{,}500{,}000 \times 0.2 = \$500{,}000$$

Similarly, the corn price component is calculated by subtracting the $1.80 per bushel baseline cost from the average North Dakota corn price for the quarter and multiplying the result by the number of gallons produced during the quarter and an incentive factor of 0.1. Continuing with the example above, if corn prices averaged $1.60 per bushel, the corn portion of the incentive for that quarter would be calculated as follows:

$$(1.60 - 1.80) \times 12{,}500{,}000 \times 0.1 = (\$250{,}000)$$

Note that in the ethanol component the actual is subtracted from the baseline, while in the corn component the baseline is subtracted from the actual. The reason for this is that the incentive is designed to increase when ethanol prices decline and/or when corn prices rise. Also note that either component may calculate out to be positive or negative, depending upon prevailing market prices.

The net incentive is simply the sum of the two components, as shown below for this example:

$$\$500{,}000 + (\$250{,}000) = \$250{,}000$$

Producers may apply for these incentives on a quarterly basis by providing proof of the number of gallons of ethanol produced. The total cumulative incentive available to all eligible producers in any year is capped at $1.6 million. Also, no producer may receive in excess of $10 million in incentive payments over the life of their production facility.

State Financing Opportunities

North Dakota's Renewable Energy Program (REP)

Provider: ND Industrial Commission *http://www.nd.gov/ndic/renew-infopage.htm*
N.D.C.C. § 54-63 *http://www.legis.nd.gov/cencode/t54c63.pdf?20140610113541*

The North Dakota Renewable Energy Program was established by the Legislature in 2007 under the control of the North Dakota Industrial Commission. The Program's responsibilities include providing financial assistance as appropriate to foster the development of renewable energy and related industrial use technologies including, but not limited to, wind, biofuels, advanced biofuels, biomass, biomaterials, solar, hydroelectric, geothermal, and renewable hydrogen through research, development, demonstration and commercialization. This grant program has a maximum award of $500,000 per project.

Oil and Gas Research Program

Provider: North Dakota Oil & Gas Research Council *https://www.dmr.nd.gov/ogr/*
N.D.C.C. § 54-17.6 *http://www.legis.nd.gov/cencode/t54c17-6.pdf?20140610113722*

North Dakota's Oil and Gas Research Program (OGRP), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the state oil and gas exploration and production industry, to encourage and promote the wise and efficient use of energy, to promote environmentally sound exploration and production methods and technologies, to develop the state's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from the state's share of the oil and gas production tax and oil extraction tax. Two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues, up to $4 million, is available to the OGRC each biennium.

Grant round deadline dates will be June 1 and November 1 of each year. Additional grant round deadline dates may be established by the Industrial Commission of North Dakota.

PACE Program

Provider: Bank of North Dakota *http://banknd.nd.gov/lending_services/business_financing_programs/PACE_program.html*
N.D.C.C. § 6-09.14 *http://www.legis.nd.gov/cencode/t06c09-14.pdf?20140313160035*

The PACE Fund is designed to assist North Dakota communities in expanding their economic base by providing for new job development. This program has two major elements: (1) the participation by BND with a local lender in a community based loan and (2) the participation by the PACE Fund with the local community in reducing the borrower's overall interest rate.

Borrower – The borrower can be any person or entity whose business is in manufacturing, processing, value–added processing and targeted service industries. Targeted service industries are businesses involved in data processing, telemarketing, telecommunications, major tourist attractions, holding companies involved in leasing assets to entities otherwise defined as a PACE qualified business, and all other service companies and wholesalers that generate 75% or more of their sales outside of the state of North Dakota.

Use of Proceeds – The proceeds of a loan may be used for the purchase of real property and equipment and certain working capital requirements. The program cannot be used to refinance any existing debt or for relocation within North Dakota.

Job Creation – The borrower shall demonstrate that within one year, there will be a minimum of one job created for every $100,000 of total PACE borrowing. Otherwise, the interest buydown will be prorated to reflect any partial fulfillment.

Variable or Fixed Interest Rate – Either a fixed or variable interest rate may be used in the loan participation.

Participation Requirements – A lead lender is required. Should BND approve the participation request, BND's participation must be 50% to 80% of the total loan.

Interest Rate Buy-Down Participation

The second element of the PACE Fund combines the resources of the local community and the PACE Fund in buying down the interest rate on the loan.

Buy-Down Funding – The PACE Fund may provide an interest rate buy down up to a maximum of $300,000. In all cases, the buy down is matched by the community at the designated participation level described under Community Percentage Factor. In addition, the PACE Fund's participation is limited to the amount required to buy down the interest to the lower of 5% below the yield rate but in no event may the interest rate be more than five hundred basis points below the national prime rate. The borrower's rate shall never fall below 1% at any time. The buy down can mean an interest savings of approximately $462,000 over the term of the loan.

Research ND

Provider: North Dakota Department of Commerce *http://www.commerce.nd.gov/research/*
N.D.C.C. § 54-65-06 *http://www.legis.nd.gov/cencode/t54c65.pdf?20140313160607*

Access the creative talents and extensive research base of North Dakota's research universities through the Research ND program. Research ND provides matching funds for the research, development and commercialization of products and processes industry/research university projects. By providing matching dollars to the universities, Research ND assists private sector partners/companies in performing research, development and commercialization on projects related to the private sector partner.

Research ND BIO is sub-program of Research ND for grants to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites.

Research ND and Research ND BIO matching funds are awarded on a competitive basis for projects based on proposals submitted jointly by researchers from North Dakota research universities and private partners. Research ND requires a $1 investment by the private sector for every $1 of state funds. Maximum award of state funds are limited to $300,000 for Research ND and $1,000,000 for Research ND BIO projects.

Small Rural Economic Development Program

Provider: ND Department of Transportation

The intent of the Small Rural Economic Development Program is to provide assistance in upgrading the existing roadway and pavement infrastructure to new or existing businesses. The program will allocate funding on an annual basis to counties to provide opportunities to improve roadways to new or existing businesses through a solicitation process.

The annual amount of funding dedicated to this program is $640,000. The annual allocation of a single project shall not exceed 50 percent of the total cost of the project, up to $400,000.

State Financing Opportunities

Project proposals must be submitted to the Department of Transportation by the County Government in which the project will be located. Submittals should include maps of the project, documentation of the current road condition, proposed improvement of the road, and estimated costs. Any other required documentation will be at the discretion of the county officials and Department of Transportation personnel.

Solid Waste Disposal Bonds

Provider: Local Governmental Jurisdiction
N.D.C.C. § 21-12 *http://www.legis.nd.gov/cencode/t21c12.pdf?20140610114525*
N.D.C.C. § 40-57 *http://www.legis.nd.gov/cencode/t40c57.pdf?20140610115556*

The solid waste component of a project may be eligible to be financed through the issuance of tax exempt bonds. The Authority can act as a conduit tax exempt issuer for qualifying borrowers that are involved in a project with a solid waste disposal element. The definition of solid waste facilities includes facilities for the collection, storage, treatment, utilization, processing or final disposal of waste. Also included are land, building and equipment and functionally-related and subordinate property. Waste must be a solid at ambient temperature and pressure, may include sludge. The waste will have no value at the time and place where it is located, and the creation of value, by recycling or otherwise, does not disqualify it. Solid waste includes garbage, refuse and other discarded solid material, including solid waste materials resulting from industrial, commercial and agricultural operations.

Ninety-five percent of the proceeds are used for the acquisition/construction of solid waste facilities, although the funds are subject to availability of a portion of the traditional North Dakota private activity volume cap. The bonds can finance up to 120% of the economic life of the asset and 100% of the cost. The interest rate on these bonds floats weekly and the average rate over last 10 years was 2 ½% plus the cost of the Letter of Credit. Recent rates were near 0.33% plus the cost of the Letter of Credit. The cost of a Letter of Credit typically is in the 1½ -3½% range. The typical availability of funds is within 75-90 days.

Tourism Infrastructure and Expansion Grant

Provider: North Dakota Department of Commerce – Tourism Division
http://www.ndtourism.com/sites/default/master/files/pdf/ExpansionGrantGuidelines.pdf
N.D.C.C. § 54-34.4 *http://www.legis.nd.gov/cencode/t54c34-4.pdf?20140311155619*

The Tourism Infrastructure and Expansion Grants support new or expanding tourism or recreation facilities or designated development areas primarily through infrastructure projects.

Value–Added Agriculture Equity Loan Program (Envest)

Provider: Bank of North Dakota *http://banknd.nd.gov/lending_services/farm_ranch_financing_programs/ENVEST_program.html*
N.D.C.C. § 6-09-15 *http://www.legis.nd.gov/cencode/t06c09.pdf?20140313154121*

Lead Lender – The lead lender may be a bank, bank holding company, state or federally chartered lending agency or institution, or any other financial institution.

Borrower – Must be a North Dakota resident. To be eligible under this program, the borrower may own no more than 25% of the project.

BND Funding Limit – Up to 70% of the total loan amount.

Use Of Proceeds – For the purchase of shares in start-up or expansion of Ag processing plants intended to process North Dakota grown products. It is desirable that the plant be located in North Dakota; however, exceptions may be made based on the overall economic benefits to the state. Project ownership may be other than a cooperative business structure if the intent of this loan program is met. This program may also be used to purchase shares from another individual or legal entity.

Interest Rate – BND portion to float at BND base rate less 1%. The interest rate charged by the lead financial institution on its share of the loan may not exceed the Bank's base rate plus 2%.

Term – 5–7 years depending on security being offered. Principal payments may be deferred up to two years; however, interest must be paid at least annually.

Collateral – Adequate collateral will be required to protect the bank. Acceptable collateral may consist of machinery, farm land or similar items with a determinable market value.

Credit Criteria – Must meet bank's standard credit criteria including demonstrated repayability of all debt.

Maximum Amount – Negotiable

Additional Parameters – An additional use of loan proceeds is for the purchases of equity shares in a North Dakota feedlot or dairy operation that must feed a byproduct of an ethanol or biodiesel facility. The Borrowing Rate shall be established over the term of the loan at a maximum of four percent (4%) below the Yield Rate and may not be less than one percent (1%). The Borrowing Rate and Yield Rate are further described in the Ag PACE information. The total buy down amount per borrower may not exceed a lifetime cap of $20,000. A farmer that receives interest buy-down from the Ag PACE fund is not eligible to receive interest buy down under ENVEST for funds to be invested in the same project.

BND will use available dollars in the Beginning Farmer Revolving Loan Fund to reduce the interest rate of the borrower on loans made for this eligible use. Transfers from the Beginning Farmer Revolving Fund may not exceed one million dollars during a biennium.

Federal Financing Opportunities

Basic 7(a) Loan Program

Provider: Small Business Administration *http://www.sba.gov/services/financialassistance/sbaloantopics/7a/index.html*

SBA 7(a) loans are only available on a guaranty basis. Under this program, the business gets a loan from its lead lender and the lender subsequently gets an SBA guaranty on a portion or percentage of this loan. The SBA does not fully guaranty 7(a) loans. The lender and SBA share the risk that a borrower will not be able to repay the loan in full.

In order for the applicant to receive a 7(a) loan, the applicant must first be eligible. Repayment ability from the cash flow of the business is a primary consideration in the SBA loan decision process but good character, management capability, collateral, and owner's equity contribution are also important considerations. All owners of 20 percent or more are required to personally guarantee SBA loans. Other eligibility requirements are designed to be as broad as possible in order that this lending program can accommodate the most diverse variety of small business financing needs. All businesses that are considered for financing under SBA's 7(a) loan program must: meet SBA size standards, be for-profit, not already have the internal resources (business or personal) to provide the financing, and be able to demonstrate repayment.

SBA 7(a) loan proceeds may be used to establish a new business or to assist in the operation, acquisition or expansion of an existing business. These may include:

- To purchase land or buildings, to cover new construction as well as expansion or conversion of existing facilities;
- To acquire equipment, machinery, furniture, fixtures, supplies, or materials;
- For long term working capital including the payment of accounts payable and/or for the purchase of inventory;
- To refinance existing business indebtedness which is not already structured with reasonable terms and conditions;
- For short term working capital needs including: seasonal financing, contract performance, construction financing, export production, and for financing against existing inventory and receivable under special conditions; or
- To purchase an existing business.

SBA's 7(a) Loan Program has a maximum loan amount of $5 million dollars. SBA's maximum exposure is $3.75 million or 75 percent. *SBAExpress* loans still have a maximum guaranty set at 50 percent.

SBA loan programs are generally intended to encourage longer term small business financing but actual loan maturities are based on: the ability to repay, the purpose of the loan proceeds, and the useful life of the assets financed. However, maximum loan maturities have been established: twenty-five (25) years for real estate and equipment; and, generally seven (7) years for working capital. Interest rates are negotiated between the borrower and the lender but are subject to SBA maximums, which are pegged to the Prime Rate. Interest rates may be fixed or variable. Interest rates on fixed rate loans range from Prime plus 2.25 to 2.75 percent, depending upon the size and maturity of the loan.

Federal Financing Opportunities

Bioenergy Program for Advanced Biofuels Payments to Advanced Biofuel Producers (Section 9005)

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_Biofuels.html*

The Advanced Biofuel Payment Program provides payments to producers to support and expand production of advanced biofuels refined from sources other than corn kernel starch. The Program supports and helps to ensure the expanding production of advanced biofuels by providing payments to eligible advanced biofuel producers.

Additional incentive payments may be made to certain producers who have increased their biofuel output over the previous year's production.

Advanced biofuels are produced from renewable biomass crops such as cellulose, sugar and starch (other than ethanol derived from corn kernel starch), hemicelluloses, lignin, waste materials, biogas, butanol, diesel–equivalent fuel, sugarcane, and nonfood crops such as poplar trees or switchgrass.

Biorefinery Assistance Program

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_Biorefinery.html*

The Biorefinery Assistance Program was established to assist in the development of new and emerging technologies for the development of advanced biofuels.

Eligible Lender: Most lenders are eligible, including any Federal or State chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, and a Bank for Cooperatives.

Eligible Borrower: The borrower must be one of the following:

- Individual
- Entity
- Indian tribe
- Unit of State or local government
- Corporation
- Farm cooperative
- Farmer cooperative organization
- Association of agricultural producers
- National Laboratory
- Institution of higher education
- Rural electric cooperative
- Public power entity
- Consortium of any of the above entities

Eligible Project:

- The project must be for the development and construction of commercial–scale biorefineries using eligible technology or retrofitting of existing facilities with eligible technology.
- The project must use an eligible feedstock for the production of advanced biofuels and biobased products. Examples of eligible feedstocks include, but are not limited to, renewable biomass, biosolids, treated sewage sludge, and byproducts of the pulp and paper industry.

Federal Financing Opportunities

- The majority of the biorefinery production must be an advanced biofuel. A project that creates an advanced biofuel that is converted to another form of energy for sale will still be considered an advanced biofuel.
- The project must provide funds of not less than 20 percent of eligible project costs.
- Refinancing, under certain circumstances, may be eligible.

Business and Industry Guaranteed Loan Program (B&I)

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_gar.html*

The Business and Industry (B&I) Guaranteed Loan Program guarantees loans by eligible local lenders to businesses to benefit rural areas. The primary purpose of this program is to create and maintain employment and improve the economic and environmental climate in rural communities.

Eligible loan purposes include: business and industrial acquisitions, purchase of equipment machinery, start–up costs and working capital. All collateral must secure the entire loan. Personal and corporate guarantees are required.

CAPLines Program

Provider: Small Business Administration (SBA) *http://www.sba.gov/content/caplines*

The CAPlines program for loans up to $5 million is designed to help small businesses meet their short–term and cyclical working capital needs. The programs can be used to finance seasonal working capital needs; finance the direct costs of performing certain construction, service and supply contracts, subcontracts, or purchase orders; finance the direct cost associated with commercial and residential construction; or provide general working capital lines of credit that have specific requirements for repayment. There are four distinct loan programs under the CAPlines umbrella:

The Contract Loan Program finances the cost associated with contracts, subcontracts or purchase orders. Proceeds can be disbursed before the work begins. If used for one contract or subcontract when all the expenses are incurred before the buyer pays, it will generally not revolve. If used for more than one contract or subcontract, or for contracts and subcontracts where the buyer pays before all work is done, the line of credit can revolve. The loan maturity is usually based on the length of the contract, but no more than 10 years. Contract payments are generally sent directly to the lender, but alternative structures are available.

The Seasonal Line of Credit Program supports the buildup of inventory, accounts receivable or labor and materials above normal usage for seasonal inventory. The company must have been in business for a period of 12 months and able to demonstrate it has an established seasonal pattern. The loan may be used over again after a “clean up” period of 30 days to finance activity for a new season. These loans also may have a maturity of up to five years. The business may not have another seasonal line of credit outstanding, but may have other lines for non–seasonal working capital needs.

The Builders Line Program provides financing for small contractors or developers to construct or rehabilitate residential or commercial property that will be sold to a third party not known at the time construction/rehabilitation begins. Loan maturity is generally three years, but can be extended up to five years, if necessary, to facilitate the sale of the property.

Proceeds are used solely for direct expenses of acquisition, immediate construction and/or significant rehabilitation of the residential or commercial structures. Land purchase can be included if it does not exceed 20 percent of the loan proceeds. Up to five percent of the proceeds can be used for community improvements that benefit the overall property.

The Working Capital Line of Credit Program is a revolving line of credit (up to $5,000,000) that provides short−term working capital. Businesses that generally use these lines provide credit to their customers or have inventory as their major asset. Disbursements are generally based on the size of a borrower's accounts receivable and/or inventory. Repayment comes from the collection of accounts receivable or sale of inventory. The specific structure is negotiated with the lender. There may be extra servicing and monitoring of the collateral for which the lender can charge additional fees to the borrower.

CDC/504 Program

Provider: SBA *http://www.sba.gov/category/navigation-structure/loans-grants/small-business-loans/sba-loan-programs/real-estate-and-eq*

The CDC/504 loan program is a long-term financing tool for economic development within a community. The 504 Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. A Certified Development Company, a nonprofit corporation, works with the SBA and private-sector lenders to provide financing to small businesses.

Typically, a 504 project includes a loan secured with a senior lien from a private-sector lender covering up to 50 percent of the project cost, a loan secured with a junior lien from the CDC (backed by a 100 percent SBA-guaranteed debenture) covering up to 40 percent of the cost, and a contribution of at least 10 percent equity from the small business being helped.

The maximum SBA loan is $1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for every $50,000 provided by the SBA except for "Small Manufacturers" which have a $100,000 job creation or retention goal. The maximum SBA loan is $2.0 million when meeting a public policy goal and $4 million for "Small Manufacturers".

The public policy goals are as follows:

- Business district revitalization.
- Expansion of exports.
- Expansion of minority business development.
- Rural development.
- Increasing productivity and competitiveness.
- Restructuring because of federally mandated standards or policies.
- Changes necessitated by federal budget cutbacks.
- Expansion of small business concerns owned and controlled by veterans
- Expansion of small business concerns owned and controlled by women.

Proceeds from 504 loans must be used for fixed asset projects such as: purchasing land and improvements, including existing buildings, grading, street improvements, utilities, parking lots and landscaping; construction of new facilities, or modernizing, renovating or converting existing facilities; or purchasing long-term machinery and equipment. The 504 Program cannot be used for working capital or inventory, consolidating or repaying debt, or refinancing. Generally, the project assets being financed are used as collateral. Personal guaranties of the principal owners are also required. Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues. Maturities of 10 and 20 years are available. Fees total approximately three (3) percent of the debenture and may be financed with the loan.

Economic Development Assistance Programs

Provider: Economic Development Administration *http://www.eda.gov/*

EDA provides strategic investments that foster job creation and attract private investment to support development in economically distressed areas of the United States. EDA solicits applications from both rural and urban areas to provide investments that support construction, non-construction, technical assistance, and revolving loan fund projects under EDA's Public Works and Economic Adjustment Assistance programs. Grants made under these programs are designed to leverage existing regional assets to support the implementation of economic development strategies that advance new ideas and creative approaches to advance economic prosperity in distressed communities.

Eligible applicants include: State, county and city governments; private, public and state controlled institutions of higher education; Native American tribal governments; nonprofits; and others. EDA is not authorized to provide grants directly to individuals or to for-profit entities seeking to start or expand a private business. Such requests may be referred to State or local agencies, or to non-profit economic development organizations serving the region in which the project will be located.

Exempt Facility Bonds for Qualified Highway or Surface Freight Transfer Facilities

Provider: U.S. Department of Transportation
http://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_debt_financing/private_activity_bonds/index.htm

The Safe, Accountable, Flexible, Efficient Transportation Equity Act authorizes up to $15 billion of tax–exempt private activity bonds to be issued by State or local governments for qualified highway or surface freight transfer facilities.

Section 142(m)(1) defines the term "qualified highway or surface freight transfer facilities" as: (1) any surface transportation project that receives Federal assistance under title 23, United States Code (as in effect on August 10, 2005);

(2) any project for an international bridge or tunnel for which an international entity authorized under Federal or State law is responsible and that receives Federal assistance under title 23, United States Code (as so in effect); or (3) any facility for the transfer of freight from truck to rail or rail to truck (including any temporary storage facilities directly related to such transfers) that receives Federal assistance under either title 23 or title 49, United States Code. Examples of facilities for the transfer of freight from truck to rail or rail to truck include cranes, loading docks, and computer–controlled equipment that are integral to such freight transfers. Examples of facilities that are not freight transfer facilities include lodging, retail, industrial, or manufacturing facilities.

Grain shuttle facilities and crude oil loading terminals which transfer product shipped in by truck and transferred to rail are ideal candidates for accessing bond financing under this program. As of Q3 2013, approximately one–half of the $15 billion authorization has been committed. The State or local jurisdictions must participate in the cost of upgrading infrastructure such as rail crossing upgrades, bridge improvements, flashing lights, etc. through the use Title 23 or Title 49 Federal assistance.

Under the program, private sector companies make a request for allocation to the U.S. Secretary of Transportation. The private sector companies requesting the allocation are fully responsible for the sale and repayment of the bonds. There is no local and state governmental guarantee on the bonds.

IRP Financing

Providers: Multiple – contact us

The loans are funded through the Federal Intermediary Relending Program (IRP) and can be used toward financing new businesses, expansion of existing businesses, and creation of new jobs or retention of existing jobs. The program is offered only to businesses located in cities with a population not greater than 25,000. Loans are available for up to $150,000 at a fixed rate for the term of the loan.

Repowering Assistance Program

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_RepoweringAssistance.html*

The Repowering Assistance Program provides payments to eligible biorefineries to replace fossil fuels used to produce heat or power to operate the biorefineries with renewable biomass. It provides reimbursement payments to help offset the costs associated with converting existing fossil fuel systems to renewable biomass fuel systems.

The program encourages the use of renewable biomass as a replacement fuel source for fossil fuels used to provide process heat or power in the operation of eligible biorefineries.

The amount of assistance is determined by the availability of funds, the project scope, and the ability of the proposed project to meet all the scoring criteria. In particular, the percentage reduction in fossil fuel used by the biorefinery, the quantity of fossil fuels replaced by a renewable biomass system, and the cost effectiveness of the renewable biomass system.

Payments are made for eligible post–application costs incurred during the construction phase of the repowering project.

Rural Business Enterprise Grants Program (RBEG)

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_rbeg.html*

The RBEG program provides grants for rural projects that finance and facilitate development of small and emerging rural businesses help fund distance learning networks, and help fund employment related adult education programs. To assist with business development, RBEGs may fund a broad array of activities.

There is no maximum level of grant funding. However, smaller projects are given higher priority. Rural public entities (towns, communities, State agencies, and authorities), Indian tribes and rural private non–profit corporations are eligible to apply for funding.

The RBEG program is a broad based program that reaches to the core of rural development in a number of ways. Examples of eligible fund use include: Acquisition or development of land, easements, or rights of way; construction, conversion, renovation, of buildings, plants, machinery, equipment, access streets and roads, parking areas, utilities; pollution control and abatement; capitalization of revolving loan funds including funds that will make loans for startups and working capital; training and technical assistance; distance adult learning for job training and advancement; rural transportation improvement; and project planning. Any project funded under the RBEG program should benefit small and emerging private businesses in rural areas. Small and emerging private businesses are those that will employ 50 or fewer new employees and have less than $1 million in projected gross revenues.

Federal Financing Opportunities

Rural Business Investment Program (RBIP)

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_RBIP.html*

The Rural Business Investment Program (RBIP) promotes economic development in mostly rural areas by helping to meet the equity capital investment needs of smaller enterprises located in such areas. USDA licenses newly formed for–profit investment fund entities as Rural Business Investment Company's (RBIC)s. RBIC's use the equity raised in capitalizing their fund to make equity, and equity–like, investments mostly in smaller enterprises located primarily in rural areas.

An applicant may be eligible to apply for an RBIC license if the company:

- Is a newly formed for–profit entity or a newly formed for–profit subsidiary of such an entity;
- Has a qualified management team with experience in relevant venture capital financing or community development financing; and
- Will invest in enterprises that will create wealth and job opportunities in rural areas, with an emphasis on smaller enterprises.

RBIC applicants must identify the rural areas their fund will target and demonstrate how the fund will assist those areas through disciplined, profit–oriented investing in rural enterprises

Rural Economic Development Loan and Grant Program (REDLG)

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_redlg.html*

The REDLG program provides funding to rural projects through local utility organizations. Under the REDLoan program, USDA provides zero interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility is responsible for repayment to the Agency. Under the REDGrant program, USDA provides grant funds to local utility organizations which use the funding to establish revolving loan funds. Loans are made from the revolving loan fund to projects that will create or retain rural jobs. When the revolving loan fund is terminated, the grant is repaid to the Agency.

The grants are awarded on a competitive basis. To receive funding under the REDLG program (which will be forwarded to selected eligible projects) an entity must:

1. Have borrowed and repaid or pre–paid an insured, direct, or guaranteed loan received under the Rural Electrification Act, or
2. Be a not–for –profit utility that is eligible to receive assistance from the Rural Development Electric, or
3. Telecommunication Program, or
4. Be a current Rural Development Electric or Telecommunication Programs Borrower.

REDLG grantees and borrowers pass the funding on to eligible projects. Examples of eligible projects include:

- Capitalization of revolving loan funds
- Technical assistance in conjunction with projects funded under a zero interest REDLoan
- Business Incubators
- Community Development Assistance to non–profits and public bodies (particularly job creation or enhancement)

- Facilities and equipment for training for rural residents to facilitate economic development
- Facilities and equipment for medical care to rural residents
- Telecommunications/computer networks for distance learning or long distance medical care. Each local utility organization may qualify for a loan of up to $1 million under the REDLoan program. As an example, a project may receive up to $2 million in loans if a local rural electric cooperative and rural telephone cooperative both apply for an receive a REDLoan through USDA and sponsor the project. REDLoans typically are 10 years in duration at zero percent interest.

Rural Energy for America Program – Energy Audit and Renewable Energy Development Assistance Grant

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_ReapEaReda.html*

The REAP Energy Audit and Renewable Energy Development Assistance Grant provides grant assistance to entities that will assist agriculture producers and small rural businesses by conducting energy audits and providing information on renewable energy development assistance. Eligible entities include: State, tribal, local government or their instrumentalities, land grant colleges, universities and other institutions of higher learning, rural electric cooperatives and public power. The maximum amount for an energy audit–renewable energy development assistance grant is $100,000.

Rural Energy for America Program Guaranteed Loan Program (REAP LOAN)

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_ReapLoans.html*

The REAP Guaranteed Loan Program encourages the commercial financing of renewable energy (bioenergy, geothermal, hydrogen, solar, wind and hydro power) and energy efficiency projects. Under the program, project developers will work with local lenders, who in turn can apply to USDA Rural Development for a loan guarantee up to 85 percent of the loan amount.

Guaranteed Loan Specifications
Loans Limits:

- Loans up to 75% of the project's cost
- Maximum of $25 million, minimum of $5,000

Maximum percentage of guarantee (applies to whole loan):

- 85% for loan of $600,000 or less
- 80% for loans greater than $600,000 but $5 million or less
- 70% for loans greater than $5 million up to $10 million
- 60% for loans greater than $10 million up to $25 million

Fees and Interest Rates

- Lender's customary interest rate, fixed or variable, negotiated by lender and business Lender's customary fees, negotiated by lender and business
- One-time guarantee fee equal to 1% of guaranteed amount
- Annual renewal fee

Federal Financing Opportunities

Benefits to Businesses

Benefits include higher loan amounts, stronger loan applications, lower interest rates and longer repayment terms that can assist businesses that may not qualify for conventional lender financing.

Eligibility: Borrowers, Lenders, Location

New definition being determined. Borrowers must be an agricultural producer or rural small business. Agricultural producers must gain 50% or more of their gross income from their agricultural operations. An entity is considered a small business in accordance with the Small Business Administration's (SBA) small business size standards NAICS code. Most lenders are eligible, including national and state-chartered banks, Farm Credit System banks and savings and loan associations. Other lenders may be eligible if approved by USDA.

Eligible Project Costs

Eligible project costs include: 1) Post-application purchase and installation of equipment,

2)Post-application construction or improvements, 3) Energy audits or assessments, 4) Permit or license fees, 5) Professional service fees, 6) Feasibility studies and technical reports, 7) Business plans, 8) Retrofitting, 9) Construction of a new energy efficient facility only when the facility is used for the same purpose, is approximately the same size, and based on the energy audit will provide more energy savings than improving an existing facility, 10) Working capital, 11) Land acquisition.

Rural Energy for America Program – Renewable Energy System and Energy Efficiency Improvement

Provider: USDA Rural Development *http://www.rurdev.usda.gov/BCP_ReapResEei.html*

Renewable Energy System and Energy Efficiency Improvement Grants must be used towards the project cost for the purchase, installation and construction of renewable energy generation systems.

Eligible technologies under the program are divided into two categories:

1) Renewable Energy Projects
   - Biomass, bio−energy: produces fuel (e.g., biodiesel, ethanol), thermal energy, or electric power from a biomass source (crops, trees, wood, plants, their residues and fats, oils, and greases, and other bio− degradable waste material).
   - Biomass, anaerobic digesters: produces thermal energy or electric power via anaerobic digestion using animal waste & other organic substrates.
   - Geothermal, electric generation: electric power from the thermal potential of a geothermal source.
   - Geothermal, direct use: produces thermal energy directly from a geothermal source.
   - Hydrogen: renewable energy systems using hydrogen as an energy transport medium.
   - Solar, small: electric projects with rated power <=10 kW; thermal projects with rated storage <=240 gallons.
   - Solar, large: electric projects with rated power >10 kW; thermal projects with rated storage >240 gallons.
   - Wind, small: systems with a <= 100 kW−rated wind turbine & with a generator hub height of <=120 feet.

- Wind, large: systems with a >100 kW–rated wind turbine.
- Hydroelectric: electric power from small hydro projects of 30 MW or less.
- Ocean: energy generation from tidal, wave, current, and thermal sources – but not for R&D technologies.
- Flexible Fuel Pump: a retail pump that combines and dispenses a blended liquid transportation fuel or dispenses a blended liquid transportation fuel.

2) Energy Efficiency Improvements Projects include any energy savings measures to businesses or agricultural operations including but not limited to replacement of inefficient equipment, retrofitting, insulation or any recommended improvement identified in the energy assessment or energy audit.

United States Department of Agriculture (USDA) –Farm Service Agency

Provider: USDA Farm Service Agency – North Dakota
http://www.fsa.usda.gov/FSA/stateoffapp?mystate=nd&area=home&subject=prog&topic=landing

Direct Loan Programs

- Have sufficient education, training, or experience in managing and operating a farm or ranch that demonstrates the managerial ability needed to succeed in farming. For a direct farm ownership (FO) loan, the applicant must have participated in the operation of a farm or ranch for at least 3 of the last 10 years.
- Be a citizen of the United States, United States non–citizen national, or a qualified alien under applicable Federal immigration laws.
- Have the legal capacity to incur the obligations of the loan.
- Be unable to obtain credit elsewhere; have an acceptable credit history.
- Be the operator or tenant operator of a family farm after the loan is closed. For an operating (OL) or emergency (EM) loan, the producer need only be the operator. For an (FO) loan, the producer must own and operate the farm.
- Not have had a previous loan which resulted in a loss to the Agency.
- Not have had a previous loan which resulted in a loss to the Agency (with certain exceptions).
- Not be delinquent on any Federal debt.
- Security of 150% of the loan amount, if available. At a minimum, the security must equal the loan amount.
- Not able to get loan from regular commercial channels.

Guarantee Loan Program

- Same program eligibility as direct loan operating program; up to 95% guarantee by USDA.
- Applicant applies and borrows through commercial credit.

Beginning farmer and rancher loan program

- Has not operated a farm or ranch for more than 10 years.
- Meets loan eligibility for a direct or guaranteed OL or FO loan.
- Will materially and substantially participate in the operation of the farm or ranch.
- For FO Beginning Farmer Program the applicant does not own more than 30% of the median acreage of farms in the county where the property to be purchased is located.

Federal Financing Opportunities

Micro–loan Program

- $35,000 loan limit; relatively easy application process
- 1 ¾% current interest rate; up to 7 year term
- No equity required – needs to cash flow

Farm Service Agency Rural Youth Loan Program

- At least 10 years old, but not yet 21
- Live in a rural community
- Capable of planning, managing and operating the project with guidance and assistance from a project advisor.
- Project advisor recommends the project and the loan, and agrees to provide adequate adult supervision.
- $5,000 limit; Parents need not co–sign note.
- If loan not paid back, borrower not allowed to receive federal farm program payments in the future, student loans or other federal programs.

Farm Service Agency Livestock Risk Protection Program – Provides price insurance protection for livestock.

State Tax Incentives

Agricultural Commodity Processing Facility Investment Tax Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/agcommodity.html*
N.D.C.C. §. 57–38.6 *http://www.legis.nd.gov/cencode/t57c38-6.pdf?20140319132849*

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for investing in an agricultural commodity processing facility in North Dakota certified by the Department of Commerce Division of Economic Development and Finance.

An agricultural commodity processing facility includes a livestock feeding, handling, milking, or holding operation that uses as part of its operation a by–product at a biofuels production facility. A biofuels production facility is a North Dakota business that produces diesel fuel containing at least 5% biodiesel, produces corn–based or cellulose–based ethanol, or crushes soybeans or canola.

In the case of a pass-through entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their respective interests in the entity. For this purpose, an investment may consist of (1) a direct cash payment, (2) a transfer of a fee simple interest in North Dakota real property, or (3) a direct transfer of cash from a retirement plan in which the taxpayer is a participant and the taxpayer controls where the plan's assets are invested.

The credit is equal to 30% of the investment. No more than $50,000 of the credit may be used in any year. An unused credit may be carried forward up to ten years. A taxpayer is allowed no more than $250,000 in credits for all years.

Agricultural Processing Plant Construction Materials Sales Tax Exemption

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/agcommodity.html*
N.D.C.C. § 57–39.2–04.4 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319133041*

Construction materials used to construct an agricultural processing facility are exempt from sales and use taxes. To receive the exemption at the time of purchase, the owner of the facility must receive from the state tax commissioner a certificate that the tangible personal property used to construct an agricultural commodity processing facility which the owner intends to purchase qualifies for the exemption. If a certificate is not received prior to the purchase, the owner shall pay the applicable tax imposed by this chapter and apply to the commissioner for a refund. If the tangible personal property is purchased or installed by a contractor, the owner may apply for a refund of the difference between the amount remitted by the contractor and the exemption imposed or allowed.

Angel Fund Investment Tax Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/angelfund.html*
N.D.C.C. § 57–38–01.26 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140319133302*

An individual, estate, trust, or corporation is allowed an income tax credit for investing in an angel fund. The angel fund must be incorporated in North Dakota and be in compliance with North Dakota's securities laws.

The credit is equal to 45% of the investment, up to a maximum credit of $45,000 per year. An investment must be at risk in the angel fund for at least 3 years to be eligible for the credit. An unused credit in the year of investment may be carried forward up to 4 years. A taxpayer claiming this credit may not claim an income tax credit passed through to the taxpayer by the angel fund resulting from the angel fund's investment in a qualified business for purposes of the seed capital or agricultural commodity processing facility investment tax credit program.

State Tax Incentives

Automation Tax Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/automationcredit.html*
N.D.C.C. §§ 57–38–01.33 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140319133426*

A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in North Dakota. The amount of the credit is twenty percent of the costs incurred in the taxable year. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law. If the amount of the credit determined exceeds the liability for tax, the excess may be carried forward to each of the next five succeeding taxable years. The aggregate amount of credits allowed may not exceed two million dollars in any calendar year. This credit is effective for the first three taxable years beginning after December 31, 2012.

Biodiesel Tax Credits

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/biodieselcredits.html*
N.D.C.C. §§ 57-38-30.6; 57-38-01.22 and 57-38-01.23 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140319133807*

A corporation is allowed an income tax credit for adapting or adding equipment to retrofit a facility or to construct a new facility in North Dakota that either (1) produces or blends biodiesel fuel or (2) crushes soybeans or canola. The credit is equal to 10% of the direct costs incurred, and is allowed in each of five tax years, starting with the tax year in which the production, blending, or crushing begins. An unused credit may be carried forward up to five tax years. A corporation is allowed no more than $250,000 of credits for all tax years.

A licensed fuel supplier who blends at least 5% biodiesel fuel is allowed an income tax credit of five cents per gallon of blended fuel. An unused credit may be carried forward up to five tax years.

A licensed seller of biodiesel fuel having at least a 2% blend is allowed an income tax credit for adapting or adding equipment to the seller's facility to enable it to sell the biodiesel blend. The credit is equal to 10% of the direct costs incurred, and is allowed in each of five tax years, starting with the tax year in which the facility begins selling the biodiesel fuel. An unused credit may be carried forward up to five tax years. A seller is allowed no more than $50,000 of credits for all years.

For the biodiesel supplier and seller credits only: If the supplier or seller is a pass-through entity, such as a partnership or S corporation, the credit is passed through to the entity's owners in proportion to their respective interests in the entity.

Biodiesel Equipment Sales Tax Exemption

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/biodiesel.html*
N.D.C.C. § 57-39.2-04(51) *http://www.legis.nd.gov/cencode/t57c39-2.pdf*

The sale of equipment not installed by the seller to a facility licensed under N.D.C.C. § 57–43.2–05 to enable the facility to sell diesel fuel containing at least two percent biodiesel fuel by volume is exempt from sales tax.

Biomass, Geothermal, Solar, or Wind Energy Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/energycredit.html*
N.D.C.C. § 57–38–01.8 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140319134552*

A corporation is allowed an income tax credit for installing a biomass, geothermal, solar, or wind energy device in a building or on property owned or leased in North Dakota. The credit is equal to 3% of the cost of

acquisition and installation and is allowed in each of the first five tax years, starting with the year in which installation is completed. A credit allowed to a corporation included in a consolidated North Dakota income tax return may be used to reduce the aggregate tax liability of all corporations included in the return.
If a corporation holds an interest in a partnership (or a limited liability company treated like a partnership) that installs a device, the credit is passed through to the corporation in proportion to its interest in the entity.

An individual, estate, or trust is allowed an income tax credit for installing a geothermal energy device in a building or on property owned or leased in North Dakota. To qualify, the device must be installed after December 31, 2008. The credit is equal to 3% of the cost of acquisition and installation and is allowed in each of the first five tax years starting with the year in which installation is completed. If an individual, estate, or trust holds an interest in a pass-through entity, such as a partnership or S corporation, that installs a geothermal energy device, the credit is passed through to the individual, estate, or trust in proportion to its interest in the entity.

For devices installed after September 30, 2008, an unused credit may be carried forward up to ten tax years; however, the carry forward period is twenty tax years for a wind device installed after September 30, 2009 and before January 1, 2012. (For devices installed before October 1, 2008, different carry forward periods apply.)

If ownership of a device is sold immediately upon completion of installation, and the device is fully operational, the credit transfers to and may be claimed by the purchaser of the device.
This credit does not apply for a device installed after December 31, 2014.

Carbon Dioxide for Enhanced Oil and Gas Recovery Sales Tax Exemption

Provider: North Dakota Tax Department
N.D.C.C. §§ 57-39.2-04(4), and 57-40.2-04(24)

http://www.nd.gov/tax/taxincentives/sales/cdoilgasrecovery.html
http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319134832
http://www.legis.nd.gov/cencode/t57c40-2.pdf?20140319134901

The sale of carbon dioxide to be used for enhanced recovery of oil or natural gas is exempt from sales and use tax.

Certified Nonprofit Development Corporation Investment Credit

Provider: North Dakota Tax Department
N.D.C.C. §§ 10−33−124 and 57−38−01.17

http://www.nd.gov/tax/taxincentives/income/nonprofcorpcredit.html
http://www.legis.nd.gov/cencode/t10c33.pdf?20140319135006
http://www.legis.nd.gov/cencode/t57c38.pdf?20140319135028

An income tax credit is allowed to an individual, estate, trust, or corporation for buying membership in, paying dues to, or contributing to a certified nonprofit development corporation. The credit is equal to 25% of the qualifying payments, up to a maximum credit of $2,000. The unused credit may be carried forward seven years. *(Note: This credit is not allowed to an individual, estate, or trust that uses Form ND−1 or Form 38 [Schedule 1].)*

Coal Conversion Facilities (Payment in Lieu of Property Tax)

Provider: North Dakota Tax Department
N.D.C.C. 57-60

http://www.nd.gov/tax/taxincentives/property/paymentlieuproptax.html
http://www.legis.nd.gov/cencode/t57c60.pdf?20140319135254

The coal conversion facilities privilege tax is imposed monthly on electrical generating plants that have at least one generating unit with a capacity of 10,000 kilowatts or more, other coal conversion facilities that consume 500,000 tons or more of coal per year, and coal beneficiation plants. It is in lieu of property taxes on the plant itself, but the land on which the plant is located remains subject to property tax.

Electrical generating plants are subject to a tax of .65 mill times 60% of the installed capacity of the unit times the number of hours in the taxable period, plus a separate tax of .25 mill on each kilowatt hour of electricity produced for the purpose of sale. A new or repowered electrical generating plant is exempt from the state's share of the tax for the first five years of operation, and the board of county commissioners of the county in which the plant is located may exempt the plant from all or part of the county's share for up to five years.

All coal conversion facilities other than electrical generating plants are exempt from 85% of the tax for the first five years of operation. The board of commissioners of the county in which the plant is located may exempt the plant from all or part of the remaining 15% for up to five years.

For coal gasification plants, the tax is the greater of 4.1% of gross receipts or 13½ cents on each 1,000 cubic feet of synthetic natural gas produced for the purpose of sale, but not including any amount of synthetic natural gas in excess of 110 million cubic feet per day.

For coal beneficiation plants, the tax is 20 cents on each ton of beneficiated coal produced for the purpose of sale, or 1¼% of gross receipts, whichever is greater.

For all other coal conversion facilities, the tax is 4½% of gross receipts.

Coal Mine Machinery or Equipment

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/coalminemachinery.html*
N.D.C.C. § 57–39.2–04.8 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319135354*

A sales and use tax exemption may be granted for machinery or equipment used to produce coal from a new mine in North Dakota. The exemption for each new mine is limited to the first $5 million of sales and use tax paid. The exemption extends to replacement machinery or equipment if the capitalized investment in the new mine exceeds $20 million.

Computer and Telecommunications Equipment Sales Tax Exemption

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/computertelecom.html*
N.D.C.C. § 57–39.2–04.3 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319135648*

For primary sector businesses other than manufacturers and recyclers, a sales and use tax exemption is allowed for purchases of computer and telecommunications equipment. To qualify for exemption, the equipment must be an integral part of a new primary sector business or create an economic expansion of an existing business, and the primary sector business must be certified by the Department of Commerce Division of Economic Development and Finance. The exemption does not extend to the purchase of replacement equipment.

Electrical Generating Facilities––Coal Powered Sales Tax Exemption

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/electricalcoal.html*
N.D.C.C. §§ 57–39.2–04.2 and 57–40.2–04.2 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319135758*
http://www.legis.nd.gov/cencode/t57c40-2.pdf?20140319135827

Coal–powered electrical generating facilities may be granted a sales and use tax exemption for purchasing building materials, production equipment and other tangible personal property used in the construction of coal–powered electrical generating facilities. To qualify, the facility must convert coal from its natural form into electrical power and have at least one single electrical generation unit with a capacity of 50,000 kilowatts or more.

Electrical Generating Facilities—Other Sales Tax Exemption

Provider: North Dakota Tax Department
N.D.C.C. §§ 57–39.2–04.2 and 57–40.2–04.2
http://www.nd.gov/tax/taxincentives/sales/electricalother.html
http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319135943
http://www.legis.nd.gov/cencode/t57c40-2.pdf?20140319140048

Electrical generating facilities, other than coal–powered or wind–powered may be granted a sales and use tax exemption for purchasing building materials, production equipment and other tangible personal property used in the construction of the electrical generating facilities. To qualify, the facility must produce electricity for resale or for consumption in a business activity and have at least one single electrical generation unit with a capacity of 100 kilowatts or more.

Electrical Generating Facilities––Wind–Powered Sales Tax Exemption

Provider: North Dakota Tax Department
N.D.C.C. §§ 57–39.2–04.2 and 57–40.2–04.2
http://www.nd.gov/tax/taxincentives/sales/electricalwind.html
http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319140225
http://www.legis.nd.gov/cencode/t57c40-2.pdf?20140319140248

A sales and use tax exemption is allowed for purchasing building materials, production equipment, and other tangible personal property used in the construction of wind–powered electrical generating facilities between July 2001 and January 2015. To be eligible, a facility must have at least one single electrical energy generation unit with a nameplate capacity of 100 kilowatts or more.

Gas Processing Facilities Sales Tax Exemption

Provider: North Dakota Tax Department
N.D.C.C. §§ 57-39.2-04.2 and 57-39.2-04.5
http://www.nd.gov/tax/taxincentives/sales/gasprocessing.html
http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319141321

Gas processing facilities may be granted a sales and use tax exemption for purchasing building materials, equipment and other tangible personal property used in the expansion or construction of a gas processing facility. In addition, environmental upgrades which exceed $100,000 for reducing emissions, increasing efficiency, or enhancing reliability of equipment may also qualify for an exemption.

Hydrogen Generation Facility Sales Tax Exemption

Provider: North Dakota Tax Department
N.D.C.C. § 57–39.2–04(50)
http://www.nd.gov/tax/taxincentives/sales/hydrogengeneration.html
http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319154128

Sales of hydrogen used to power an internal combustion engine or fuel cell are exempt from sales tax. Equipment used directly and exclusively in the production and storage of this hydrogen by a hydrogen generation facility is also exempt from sales tax.

Income Tax Exemption

Provider: North Dakota Tax Department
N.D.C.C. § 40-57.1
http://www.nd.gov/tax/taxincentives/income/
http://www.legis.nd.gov/cencode/t40c57-1.pdf?20140319154303

A primary sector or tourism business may qualify for an income tax exemption for up to five years. "Primary sector" refers to a business that adds value to a product, process, or service that produces new wealth in North Dakota. "Tourism" refers to a tourism–related business that is a destination attraction. Eligibility is limited to a new business or to an existing business that expands its operations in North Dakota.

A project is not eligible for an exemption if:

1. the business received a property tax exemption under tax increment financing;

2. there is an outstanding recorded lien for delinquent property, income, sales and use taxes against the business, or
3. the exemption fosters unfair competition or endangers existing business.

Application Procedures

1. The business must apply to the State Board of Equalization, c/o State Tax Commissioner.
2. The application must be filed no later than one year after the commencement of operations within the new business or expansion.
3. The Department of Commerce Division of Economic Development and Finance reviews the application for primary sector or tourism eligibility.
4. The business must provide notice to competitors as prescribed by the State Board.
5. At a public meeting, the State Board considers the application and any testimony, and grants or denies exemption.

Internship Employment Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/internshipemp.html*
N.D.C.C. § 57–38–01.24 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140319154354*

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for employing an individual under an internship program located in North Dakota. The credit is equal to 10% of the compensation paid to an intern. An employer is allowed to employ a maximum of five interns at the same time. A maximum of $3,000 of credits for all years is allowed under the program.

To be eligible, an intern must be a college student majoring in a field related to the work to be performed and must be supervised and evaluated by the employer, and the internship must qualify for academic credit. Participation in a vocational technical education program meets the college requirement. In the case of a pass-through entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

Liquefied Gas Processing

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/liquefiedgasprocessing.html*
N.D.C.C. § 57-39.2-04.10 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319154827*

A sales and use tax exemption may be granted for purchasing tangible personal property used to construct or expand a processing facility in North Dakota that produces liquefied natural gas.

Manufacturing Equipment Sales Tax Exemption

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/manufacturing.html*
N.D.C.C. § 57–39.2–04.3 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319154947*

A new or expanding plant may exempt machinery or equipment from sales and use taxes if it is:

1. used primarily for manufacturing or agricultural processing, or
2. used solely for recycling.

The expansion must increase production volume, employment, or the types of products that can be manufactured or processed.

State Tax Incentives

Microbusiness Income Tax Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/busempcredit.html*
N.D.C.C. §. 57−38−01.27 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140319155037*

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for new investment and new employment in a microbusiness in North Dakota that creates new income or jobs. A microbusiness is a business with up to 5 employees that is located in a community of 100 to 2,000 people having an active economic development organization, a relationship with a regional or urban economic development organization, or a city sales tax of which part or all is dedicated to economic development. The business may not compete with other established businesses within 15 miles of the business, and may not be located within 15 miles of a city with a population of 2,000 or more. The business must be certified by the Commerce Department's Division of Economic Development and Finance, and no more than 200 businesses may be certified as a microbusiness.

The credit is equal to 20% of the amount of new investment and new employment during the tax year. "New investment" means an increase in the buildings and depreciable personal property (except vehicles registered for road use) acquired through purchase or lease in the current year as compared to the previous year. "New employment" means the increase in compensation paid to North Dakota resident employees in the current year as compared to the previous year.

It does not include merit− or equity−based salary increases, cost of living adjustments, or any increase in compensation unrelated to the hiring of new employees in the current year. A taxpayer is allowed no more than $10,000 of credits for all years. An unused credit may be carried forward up to 5 years. In the case of the pass-through entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership increases.

New Markets Tax Credit Program

Provider: Dakotas America LLC *http://www.dakotasamerica.com/*

The New Markets Tax Credit (NMTC) Program of the U.S. Department of Treasury gives corporate taxpayers the opportunity to receive a 39 percent federal tax credit by investing in qualified projects in low−income communities.

Investors can earn attractive rates of return while meeting a community need. Qualified businesses gain access to development funds at reasonable rates and community development entities fulfill their mission by helping stimulate economic growth and job creation in specifically targeted lower−income communities.

Projects must be located on a distressed census tract and meet community impact criteria. The project must evidence feasibility and have identified a majority of the financing. A NMTC investment will enhance the terms of the deal. Given the complexity of these deals, NMTC investors generally focus on projects over $5 million.

- Qualifying projects must be located in census tracts with at least 20 percent poverty,

  or
- Have a median family income below 80 percent of the state or urban median family income, or
- Below 85 percent if it is a high out−migration rural county, which means there has been 10 percent out migration during the 20−year period ending with the year in which the most

recent census was conducted.

In addition, the project must meet one of the following criteria:

- Have poverty rates greater than 30 percent.
- Median family income does not exceed 60 percent of statewide median family income.
- Have unemployment rates at least 1.5 times the national average.

If one of the above three criteria cannot be met, then the project must meet two or more of the following criteria:

- Rural census tract (any LIC outside the MSAs)
- Federally designated Native American reservations
- Brownfields redevelopment areas
- Federally designated medically underserved areas
- High Out−Migration Rural County
- CDFI Hot Zones
- HUB Zones
- State or local tax−increment financing districts, enterprise zone programs, state/local programs targeting distressed communities.

Oil Refineries Sales Tax Exemption

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/oilrefineries.html*
N.D.C.C. §§ 57−39.2−04.2 and 57−39.2−04.6 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140320082125*

Oil refineries may be granted a sales and use tax exemption for purchasing building materials, equipment, and other tangible personal property used in the expansion or construction of an oil refinery. To qualify, the facility must have a nameplate capacity of processing at least 5,000 barrels of oil per day in this state. In addition, environmental upgrades which exceed $100,000 for reducing emissions, increasing efficiency, or enhancing reliability of equipment may also qualify for an exemption.

Oil Tax Incentives

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/oiltax/*

North Dakota offers oil tax incentives, many of which are currently unavailable because oil prices exceed the statutory level at which the incentives apply. For details about these, contact the Office of the State Tax Commissioner at 701.328.2770.

Personal Property Tax

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/property/personalproptaxexemp.html*
N.D.C.C. §§ 57−02−04 and 57−02−08 *http://www.legis.nd.gov/cencode/t57c02.pdf?20140320082416*

North Dakota exempts all personal property from property taxation except that of certain oil and gas refineries and utilities.

Property Tax Exemptions

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/property/proptaxexemp.html*
N.D.C.C. § 40−57.1 *http://www.legis.nd.gov/cencode/t40c57-1.pdf?20140320082954*

Parameters for property tax exemptions that initially become effective after December 31, 2014.

A new or expanding business project that is certified as a primary sector business by the Department of Commerce Division of Economic Development and Finance may be granted a property tax exemption for up to five years. Two extensions are available:

- Agricultural processors may be granted a partial or full exemption for up to five additional years.
- A project located on property leased from a government entity qualifies for an exemption for up to five additional years upon annual application by the project operator.

In addition to, or instead of, an exemption, local governments and any project operator may negotiate payments in lieu of property tax for a period of up to 20 years from the date project operations begin.

Qualifications

To qualify, a project must be a new or expanded revenue-producing primary sector enterprise. All buildings, structures or improvements used in, or necessary to, the operation of the project qualify. The structure might be the project's buildings or the project's quarters within a larger building. Land does not qualify for an exemption.

A city or county with a population that is fewer than 40,000 may grant an exemption for a retail project if the voters have approved granting of exemptions for projects operating in the retail sector, and the governing body has set minimum criteria for granting those exemptions.

A project is not eligible for an exemption if:

- a tax exemption was received under tax increment financing, or
- the governing body determines the exemption fosters unfair competition or endangers existing business.

Application Procedures

- The project operator applies to the city governing body if the project is located within city boundaries, or the county commission if the project is located outside city boundaries.
- The application for exemption must be made and approved before construction of a new structure begins. If an existing structure will be occupied, application must be made and approved before the structure is occupied.
- Payments in lieu of taxes may be approved after construction or occupancy of a structure.
- Nonvoting representation of affected school districts and townships must be included in the negotiation and deliberation of granting a property tax exemption or payment in lieu of taxes for new or expanding businesses.
- The project operator must publish two notices in the official newspaper of the city or county at least one week apart if the appropriate governing body determines there are local competitors. The last notice must be published at least 15 days, but not more than 30 days, before the application is considered.
- A public hearing on the application must be held. After the public hearing, the appropriate governing body acts on the application.

State Tax Incentives

Renaissance Zones

Provider: North Dakota Division of Community Services *http://www.nd.gov/tax/taxincentives/renaissance/*
N.D.C.C. § 40–63 *http://www.legis.nd.gov/cencode/t40c63.pdf?20140320083323*

Businesses and individuals may qualify for one or more tax incentives for purchasing, leasing, or making improvements to real property located in a North Dakota renaissance zone. A renaissance zone is a designated area within a city that is approved by the Department of Commerce Division of Community Services. The tax incentives consist of a variety of state income and financial institution tax exemptions and credits, and local property tax exemptions.

For more information, contact the local zone authority, the Department of Commerce Division of Community Services, or the Office of the State Tax Commissioner.

Research Expense Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/researchcredit.html*
N.D.C.C. § 57–38–30.5 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140320101127*

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for conducting research in North Dakota. The credit is equal to a percentage of the excess of qualified research expenses in North Dakota over the base amount in North Dakota.

"Qualified research expenses" and "base amount" have the same meaning as defined under federal income tax law (I.R.C. § 41). The applicable percentage is 25% for the first $100,000 of excess expenses in a tax year. For excess expenses over $100,000 in a year, the applicable percentage for tax years 2007 through 2016 is:

- 20%, if qualified research in North Dakota first begins in 2007 through 2010, or
- 7½% for 2007, 11% for 2008, 14½% for 2009, and 18% for 2010 through 2016, if qualified research in North Dakota began before 2007, or
- 8%, if qualified research in North Dakota first begins after 2010.

For tax years after 2016, the applicable percentage for excess expenses over $100,000 in a year is 8% for all taxpayers, regardless of when qualified research first begins. For taxpayers who began qualified research in North Dakota before January 1, 2007, the maximum credit allowed in any year is $2 million, and any credit over this amount is not allowed in any year. In the case of a pass-through entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

The credit allowed to a corporation included in a consolidated North Dakota income tax return may be used to reduce the aggregate tax liability of all corporations in the return. This does not apply to tax credits received or purchased from other taxpayers. An unused credit may be carried back three tax years and carried forward up to fifteen tax years. Subject to certain conditions, a taxpayer may sell, transfer, or assign up to $100,000 of its unused tax credit to another taxpayer if the taxpayer selling the credit is certified by the Department of Commerce Division of Economic Development and Finance to be a primary sector business with annual gross revenues of less than $750,000 that conducts qualified research in North Dakota for the first time after December 31, 2006.

State Tax Incentives

Sales Tax Exemption Approval Process

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/salesexemptapproval.html*
N.D.C.C. §§. 57-39.2-04.2, 57 39.2 04.3, and 57-40.2-04.2 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140320101340*
http://www.legis.nd.gov/cencode/t57c40-2.pdf?20140320101356

For coal mine machinery and equipment, the mine operator is required to apply for a refund of the qualifying tax paid. For the remaining preceding sales tax exemptions, prior approval must be obtained from the State Tax Commissioner to qualify for the exemption at the time of purchase. If prior approval is not received, the purchaser must pay the tax and the project owner may apply for a refund of the tax paid on any property ultimately approved for exemption.

Contractors that purchase and install or consume tangible personal property eligible for exemption are required to pay sales or use tax on all property used in an exempt project unless the project owner provides an exemption letter issued by the Tax Commissioner stating that contractors are not liable for sales or use tax. Project owners may apply for a refund of tax paid by contractors on property qualifying for exemption.

Seed Capital Investment Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/seedcapital.html*
N.D.C.C. §. 57−38.5 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140320101545*

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for investing in a business certified by the Department of Commerce Division of Economic Development and Finance.

An investment may consist of a direct cash payment, or a direct transfer of cash from a retirement plan for which the investor controls where the plan's assets are invested. The credit is equal to 45% of the investment. No more than $112,500 of the credit may be used in any year. An unused credit may be carried forward up to four tax years. In the case of a passthrough entity, such as a partnership or S corporation, or in the case of an angel fund, the credit is passed through to the entity's owners, or the fund's investors, in proportion to their respective interests.

Only the first $500,000 of eligible investments in the business are eligible for the tax credit. The total amount of tax credits allowed for investments made in all certified businesses in any calendar year is limited to $3.5 million.

Telecommunications Infrastructure

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/sales/telecomm.html*
N.D.C.C. § 57-39.2-04.7 *http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140320101803*

A sales and use tax exemption may be granted through December 31, 2017, for purchasing tangible personal property used to construct or expand telecommunications service infrastructure within the state. To qualify, the property must be incorporated into a telecommunications service infrastructure owned by a telecommunications company.

State Tax Incentives

Wage and Salary Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/wagesalarycredit.html*
N.D.C.C. § 57–38–30.1 *http://www.legis.nd.gov/cencode/t57c38.pdf?20140320102042*

A corporation doing business in North Dakota for the first time is allowed an income tax credit equal to:
1% of wages and salaries paid during the tax year for each of the first three tax years of operation, and
½% of wages and salaries paid during the tax year for the fourth and fifth tax years.
A corporation qualifies for the credit if it:

- did not receive a property or income tax exemption under N.D.C.C. ch. 40-57.1,
- was not created from a reorganization or acquisition of an existing North Dakota business, and
- is engaged in assembling, fabricating, manufacturing, mixing or processing of an agricultural, mineral or manufactured product.

Wind Turbine Electric Generation

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/property/propertytaxreduction.html*
N.D.C.C. § 57-06 *http://www.legis.nd.gov/cencode/t57c06.pdf?20140320102445*

A property tax reduction applies to a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of 100 kilowatts or more. A centrally assessed wind turbine electric generation unit is a unit that produces electric power for public use.

For an eligible wind turbine on which construction is completed before January 1, 2015, the taxable value is calculated at 3% of assessed value instead of at 10% which applies to other centrally assessed property. The taxable value is calculated at 1½% of assessed value if:

- construction of the wind turbine is completed after June 30, 2006, and before January 1, 2015, or
- a purchased power agreement was executed after April 30, 2005, and before January 1, 2006, and the construction of the wind turbine was completed after April 30, 2005, and before July 1, 2006. The valuation calculated at 1½% of assessed value only applies for the duration of the purchased power agreement initially executed for the wind turbine.

Workforce Recruitment Credit

Provider: North Dakota Tax Department *http://www.nd.gov/tax/taxincentives/income/wordforcereccredit.html*
N.D.C.C. §§ 57-38-01.25 and 57-38-30.3(2) *http://www.legis.nd.gov/cencode/t57c38.pdf?20140320102832*

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for employing extraordinary recruitment methods to recruit and hire employees for hard-to-fill positions in North Dakota. The credit is equal to 5% of the compensation paid during the first 12 consecutive months to an employee hired to fill a hard-to-fill employment position, and is allowed in the first tax year following the tax year in which the employee completes the 12 consecutive month employment period. An unused credit may be carried forward up to four tax years. In the case of a pass-through entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

To qualify, an employer must pay an annual salary that is at least 125% of North Dakota's average wage and must have employed all of the following recruitment methods for at least six months to fill a position for which the credit is claimed: (1) Contracted with a professional recruiter for a fee; (2) Advertised in a professional trade journal, magazine, or other publication directed at a particular trade or profession; (3) Provided employment information on a web site for a fee; and (4) Paid a signing bonus, moving expenses, or atypical fringe benefits.

In addition, if an employer claims the credit, the employee hired in the hard-to-fill position is allowed a deduction for the signing bonus, moving expenses, or atypical fringe benefits paid by the employer that are included in the employee's federal taxable income.

State Training Incentives

North Dakota New Jobs Training Program

Provider: Job Service North Dakota *http://www.jobsnd.com/business/business-related-resources*
N.D.C.C. § 52–02.1 *http://www.legis.nd.gov/cencode/t52c02-1.pdf?20140320113508*

The program provides a mechanism for primary sector businesses to secure funding to help offset the cost of training new employees for business expansion and/or startup.

Funding Assistance

Under the New Jobs Training Program, the business obtains funds in the form of:

- Grant – This may be obtained from the state, a city, or a local economic development corporation.
- Loan– May be obtained from a commercial lender, a local development corporation, the bank of North Dakota, or other qualified lender.
- Self–financing option.

Funds are made available through the capture of the state income tax withholding generated from permanent, full time new positions that are created. Reimbursements to repay the loan (plus interest) are made directly to the lender.

Reimbursements for a grant are made directly to the granting community or local economic development corporation. Under the self–financing option, 60% of the allowable state income tax withholding can be reimbursed directly to the participating business. The state income tax withholding can be captured for up to a ten year period or until the loan is repaid, or the self–financing or grant obligations have been met, whichever comes first.

A one–time five percent administration fee is due JSND after the final agreement is in place, due and payable when the final agreement has been signed. This fee is based on the project amount of the agreement over the ten year period.

Business Eligibility Criteria

- Primary Sector Business.
- A new employer locating in North Dakota must create a minimum of 5 new jobs.
- Expanding businesses must increase its base employment level by a minimum of one new job.
- A business must not be closing or reducing its operation in one area of the state and relocating substantially the same operation to another area of the state.
- Employees in eligible new positions must be paid a minimum of $10.00 per hour plus benefits by the end of the first year of employment under the project and for the remaining life of the loan.

Calculation of State Income Tax Withholding Credit

The amount of tax withheld is based on the following:

- Number of permanent, full time new positions created.
- Wage rate for these new positions.
- A withholding formula provided by the ND Tax Department is applied to the actual annual salary of the new jobs being created. This formula considers the individual's average tax liability using a varying

number of exemptions. The formula is applied to the annual gross wages of the new jobs created, and then is multiplied by the number of new positions in each pay category.

The figure is then multiplied by 10 (the maximum number of years of the program) to establish the maximum state income tax withholding available.

Workforce 20/20

Provider: Job Service North Dakota *http://www.jobsnd.com/business/funding-workforce-training*
N.D.C.C. § 52–08.1 *http://www.legis.nd.gov/cencode/t52c08-1.pdf?20140320114406*

Workforce 20/20 is a state–funded program that assists employers who provide retraining and upgrade training to support the introduction of new technologies and work methods into the workplace. The funding is provided for current workers and new employees. Training funded under Workforce 20/20 is limited to North Dakota residents who are or will be employed in the state. The program is a funding source to assist in reducing the cost of training for the employer.

Businesses and industries that bring new revenue to the state by selling a majority of products and services outside of North Dakota will be given priority for funding. Businesses that sell products or services in the local area are eligible, but need to demonstrate compelling economic benefit to the community or state.

Requirements for training projects

- Projects must emphasize job skill training or basic skill training. Only training for permanent jobs which have significant career opportunities and require substantive instructions will be considered for funding.
- For projects that train new employees for expansion and startups, who successfully complete training, must be given priority in hiring by the business.
- If the occupation for which training is being conducted is covered by a collective bargaining agreement, union concurrence is required.
- If new job openings are created through upgrade training, the sponsoring company should give priority consideration to individuals eligible for other state and federal job training programs.
- Costs for training needs assessments and the preparation of an application are the responsibility of the company.
- Only DIRECT training costs can be reimbursed. Costs can include:
- Instructor wages, per diem and travel
- Tuition and registration fees
- Curriculum development and training materials
- Lease of training equipment and training space
- Misc. direct training costs.
- Workforce 20/20 funds CANNOT be used to reimburse salaries, fund in–house trainers, purchase equipment, software, non–expendable supplies or use of in–house training space.
- Grants will be based on a cost reimbursement of those actual costs expended and identified in the contract

State Training Incentives

- The company will be required to submit a report identifying individuals participating in the training program.
- Follow–up reports on these individuals who participated in Workforce 20/20 funded training will be submitted by the employer 90 days, 180 days, and 365 days after training.

Federal Training Incentives

Federally Funded On–the Job Training Programs

Provider: Job Service North Dakota *http://www.jobsnd.com/business/funding-workforce-training*

Workforce Investment Act (WIA) and Trade Adjustment Assistance (TAA) are federally funded and have eligibility requirements targeted toward specific segments of the population (i.e., dislocated workers, welfare recipients, low income, unemployed as a result of foreign competition, etc.). Training assistance is normally provided in the form of reimbursements to the business for extraordinary costs incurred in providing on-the-job training (OJT). The reimbursement is calculated up to 50 percent of the hourly wage paid to the employees during the training period. The training period can run from four to twenty-six weeks (with exceptions under TAA).

These programs can also be coupled with classroom training. In those cases, funding for the additional costs associated with the classroom instruction could also be provided. Individuals enrolled under the WIA and TAA programs must be determined eligible for the program and warrant the funding. A formal contract between Job Service North Dakota and the business must be developed, signed, and in place prior to the individuals' employment start date.

Work Opportunity Tax Credit

Provider: Job Service North Dakota *http://www.jobsnd.com/wotc*

The Work Opportunity Tax Credit program provides federal income tax credits to businesses based on qualifying first year wages paid to individuals who are hired from specific target groups. These target groups include the following:

- Qualified long–term welfare recipient.
- Other qualified welfare recipient.
- Qualified veteran.
- Qualified ex–felon.
- Vocational Rehabilitation referral.
- Qualified food stamp recipient.
- SSI recipient.
- Designated community resident*.

*Federally Designated Communities include Empowerment Zones (EZ), Enterprise Communities (EC), Renewal Communities (RC), or Rural Renewal Counties (RRC) (for hires after May 25, 2007).

The WOTC is calculated on a two tier basis based on total number of hours worked and Target group certification and can significantly reduce an employer's tax liability.

North Dakota *will* exceed your expectations.

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