



ND New Jobs Training Program Reported Through 2015

North Dakota New Jobs Training Program Overview

The North Dakota New Jobs Training Program was enacted into law in 1993 by the North Dakota Legislative Assembly. The purpose of this state-funded workforce training program is to provide a mechanism for primary-sector businesses to secure funding to help offset the cost of creating new employment opportunities through business expansion or relocation to North Dakota.

Under the New Jobs Training Program, the business obtains funds in the form of a loan, grant, or self-financing option. The loan may be obtained from a commercial lender, a local development corporation, the Bank of North Dakota, or other qualified lender. A grant may be obtained from a state, a city, or local economic development corporation.

Funds under the New Jobs Training Program are made available through the capture of the state income tax withholding generated from the 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 percent of the allowable state income tax withholding can be reimbursed directly to the participating business. 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.

To qualify, the business must be in a primary-sector industry, either locating to the state or expanding employment in the state. A “*primary sector business*” is an individual, corporation, limited liability company, partnership, or association which through the employment or labor adds value to a product, process, or service that results in the creation of new wealth. The term includes tourism, but does not include production agriculture or the oil industry.

Other qualifying criteria include:

- 1.) A new employer locating in North Dakota must create a minimum of five new jobs;
- 2.) An existing business must increase its base employment level by a minimum of one new job;
- 3.) 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;
- 4.) Employees in the eligible new positions must be paid a minimum of \$10.00 per hour plus benefits by the end of the first year of employment in the new position created.

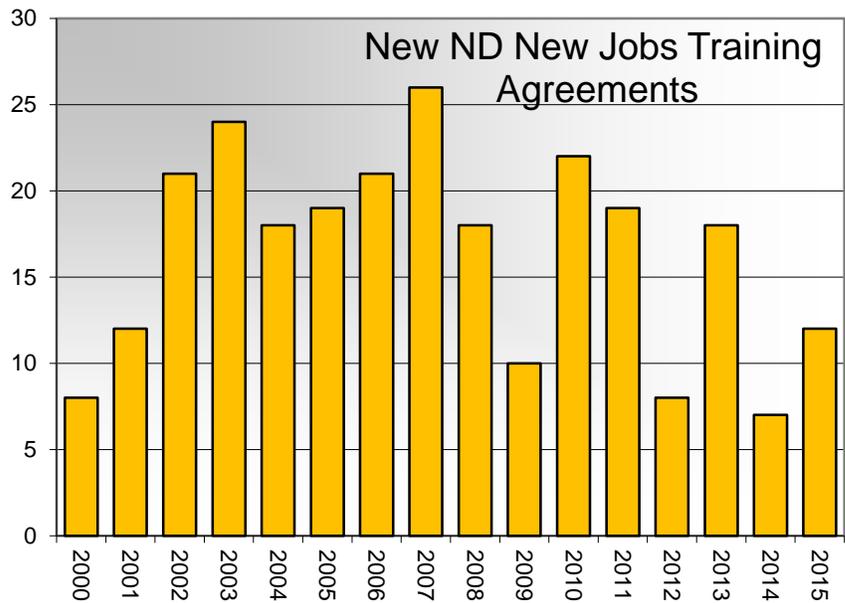
The amount of state income tax withholding credit available to an employer is based on the following criteria:

- The number of permanent, full-time new positions created.
- The wage rate paid to individuals filling the new positions.
- A withholding formula provided by the North Dakota State Tax Department is applied to the actual annual salary of the new jobs being created. The formula is applied to the annual gross wages of the new jobs created, and is then multiplied by the number of new positions in each pay category. This figure is then multiplied by 10 (the maximum number of years under the program) to establish the maximum state income tax withholding credit available under a ND New Jobs Training Program.

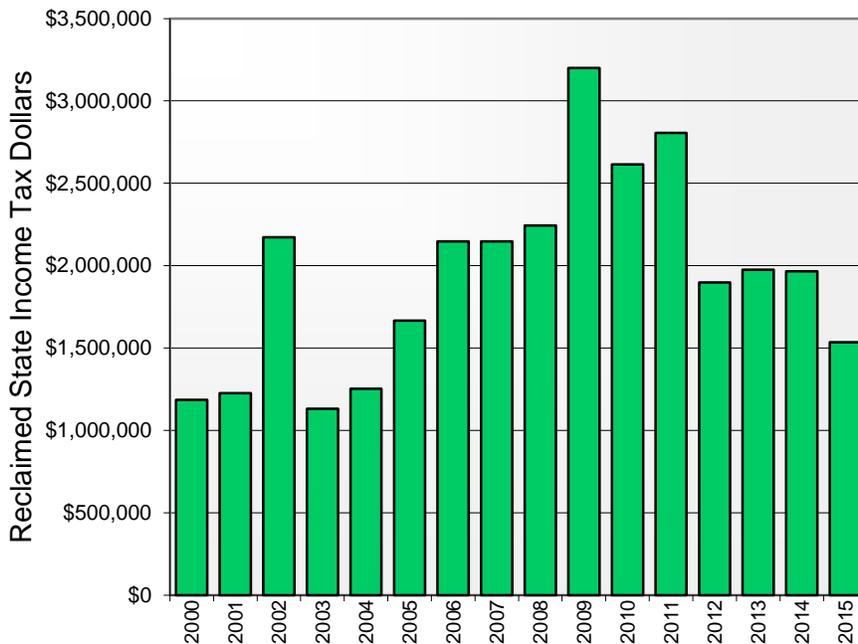
New Jobs Training Program, New Agreements By year; 2000 - 2015

The chart to the right shows the number of new agreements finalized each year. Agreements can be finalized in a year following the actual hiring date year due to the usage of the preliminary agreement.

Employers claim their income tax withholding credits through filing quarterly reports with the ND State Tax Department. An employer has up to 10 years from the effective date of the agreement to claim the North Dakota income tax withholding credit. An increase in North Dakota New Jobs Agreements will not be seen as increased collection for at least a year.



New Jobs Training Program, Tax Credits By year; 2000 - 2015



ND New Jobs Training collections have been less and agreements are running longer due to hiring freezes and the legislative reduction of Individual ND Income Tax amounts in June of 2013. Individual Income Tax percentages decreased between 0.06% and 0.77% for all ND residents. Any further individual Income Tax reductions will further affect new and open agreements as the calculation does not change once an agreement is finalized.

2014 and 2015 agreements could show increased claims in future reports as all employers have the right to claim reimbursements up to 3 years after the quarter the taxes were paid.

Through December 31, 2015, the ND State Tax Department has issued tax credits totaling \$32,178,615.46. At this time, North Dakota income tax credits totaling an additional approximately \$20.1 million are available to 76 actively collecting agreements over the next ten years. Based on a review of completed and closed agreements, employers are claiming 91% of the projected credits available to them.

North Dakota New Jobs Tax Credit Activity

By the end of 2015, Job Service North Dakota had completed and closed 74%, 283 of 380, of all North Dakota New Jobs Training Program agreements. The closed agreements projected 17,089 new jobs in North Dakota and were used to review the current job creation performance and average investment per new job created.

Job Creation Performance and Investment Summary on completed agreements from 1998-2015					
Closed Agreements	Reported New Jobs	Projected New Jobs	Job Creation Rate	Tax Credits Claimed	Average Investment per New Job
283	14,092	17,089	82.5%	\$32.1 million	\$2,283.47

If the business creates the number of new jobs identified in the North Dakota New Jobs Training Program agreement at the wage rates projected, most loans, grants, or self-financing options will be reimbursed in less than the ten year program period. Early reimbursement takes place when:

- Average tax liabilities are used to calculate the amount of state income tax withholding credit available, but the actual withholding reported is used to credit reimbursements.
- Most individuals have more state income tax withheld than their actual tax liability.
- The agreement does not build in salary increases during the ten year period, resulting in larger withholdings.

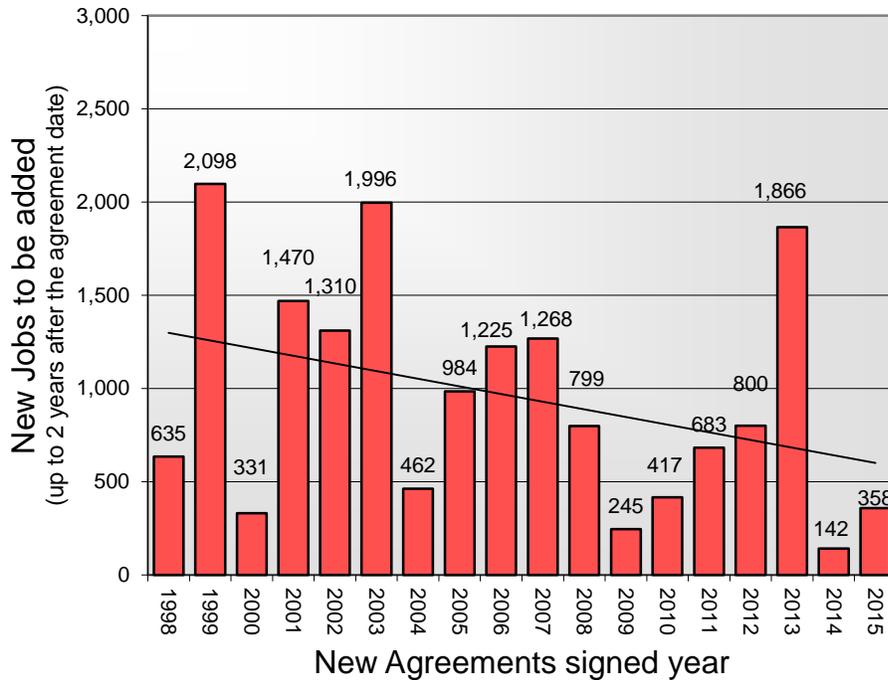
While tax credits will cause a reduction in state revenues, this reduction is offset by the positive economic impacts the new jobs create in North Dakota. Other states have job creation tax credit programs, but historical data from other states is limited for doing state to state comparisons.

Many states have set caps on the amount of tax credits that can be claimed for each new job position, some reimburse on a percentage of actual training expenditures, or states have complex calculations based on the number of employees, employee state income tax withholding, and longevity with the company. Caps ranges have remained constant across other states from \$1,500 in Maryland, \$5,000 in Rhode Island, to \$6,500 in North Carolina. North Dakota's average investment of \$2,283.47 is aligned with other states.

New Jobs Training Program, Projected New Positions by Calendar Years 1998 - 2015

The figures below are a projection of new positions that will be created in ND over two years following the date of the agreement. Agreements written in 2015, will show job creations in the years of 2016 and 2017. Agreements are based on an estimation of new jobs being created by the employer during the calendar year stated.

The projected number of new positions to be created can fluctuate from year to year due to agreement amendments for unexpected business events.



The actual number of new positions created is not fully known until the employer files their final quarterly statement and the agreement is closed.

An agreement is closed as it meets its ten year period, the loan is repaid, or the self-financing or grant obligations have been met, whichever comes first. Closed agreements in 2013-2015 had an average life of 9.5 years.

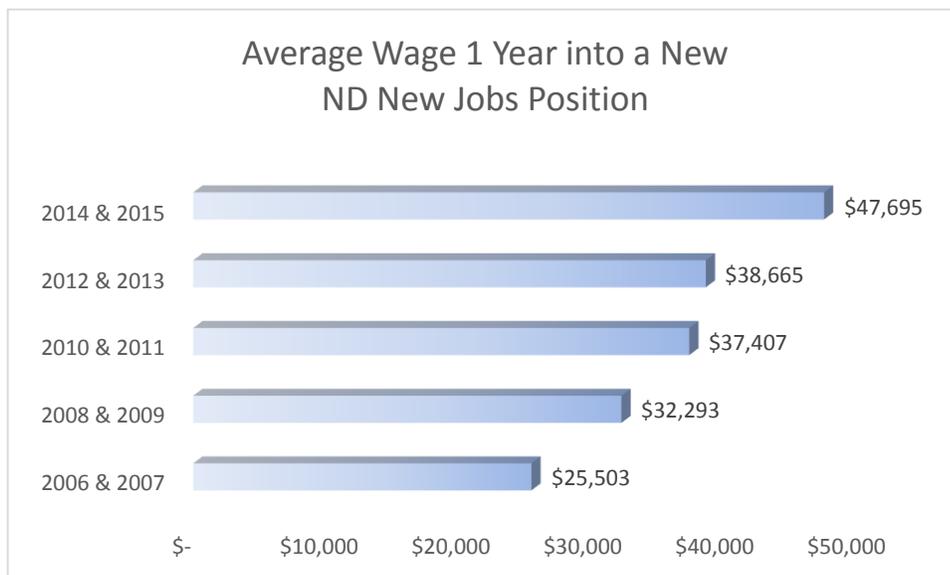
Since North Dakota state income tax is not withheld from the payroll of out-of-state residents, employers are not allowed to claim a credit for positions filled by out-of-state residents.

North Dakota New Jobs Training Program Biennium Performance

The most recent time for which North Dakota Century Code Section 54-60-19 accountability measures are available are the years of 2014 and 2015. During 2014 and 2015, Employers hired 630 employees into the newly created positions listed in ND New Jobs Training open agreements.

ND New Jobs Training Program Accountability Measures (2014 & 2015)			
	Pre-Training	1 Year After Training	
New Positions Filled in ND	Average Annual Salary	Average Annual Salary	Average Annual ND Income Tax Paid Per Participant
630	\$32,808	\$47,695	\$ 603.81

After one year of being hired into a newly created position, employees showed an average wage increase of 45%. North Dakota's unemployment wage records for these individuals generated an aggregate annual payroll of \$30 million.



The primary sector business employees within ND New Jobs Training positions have shown an average wage increase of 87% in the 10 years shown.

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