



VERMONT ECONOMIC PROGRESS COUNCIL

VERMONT EMPLOYMENT GROWTH INCENTIVE VEGI PROGRAM DEFINITIONS

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Acquired: For the purposes of the VEGI program, to “acquire” means to purchase, obtain, or otherwise take ownership of a plant, facility, building, and/or machinery and equipment that is *already in place in Vermont* and is not owned by the VEGI applicant until after the incentives are authorized and the project occurs. The term is used to differentiate taking ownership of an existing facility and/or machinery and equipment from building a new facility, purchasing new or used machinery and equipment, or renovating a facility already owned by the applicant. Note that the category on the application and claim form is not meant to be used to total together other categories. It is a category unto itself. The reason this category is separated out is that the acquisition of a facility or machinery and equipment already in place in Vermont has a very different economic impact than the other capital investment categories and must be modeled differently. [#Top of the Document](#)

Activity Commencement Date: The “Activity Commencement Date,” is determined by the applicant based on the start or commencement of the economic activity for which incentives are sought. For a VEGI application, the Activity Commencement Date is the date *after which* the economic activity for which the incentives are sought, will begin. By setting this date, the applicant is stating that the economic activity – qualifying new jobs, payroll, and capital investments - which will occur *because of the VEGI incentive* will occur only *after* this date. For a VEGI Pre-Application to get an incentive estimate, or a formal Initial Application, the Activity Commencement Date must be *after*:

- The date that the Pre-Application or Initial Application is filed;
- The date of the meeting at which your Initial Application is expected to be considered by the Vermont Economic Progress Council (VEPC); and
- Because the applicant must meet the But For approval criteria, a decision by the applicant to proceed with the activity at all or in Vermont must be made *after* approval of an Initial Application by VEPC.

Therefore, the order of events must be:

- File a VEGI Pre-Application to get an incentive estimate (No due date- file anytime)
- Receive the Pre-Application Estimate (Within 5-7 days of filing complete Pre-Application)
- File a formal Initial VEGI Application (By first Friday of the month to be considered)
- Initial VEGI Application considered by VEPC (Fourth Thursday of the month)
- Applicant performs due diligence and makes project decisions
- Activity Commencement Date occurs
- Final VEGI Application filed and considered (By end of calendar year)

Click here for more detail on the [Activity Commencement Date](#). [#Top of the Document](#)

Annual Performance Measures: The VEGI program is performance-based. No incentive is paid when the incentives are authorized. The authorization determines eligibility and sets the level of incentive based on the economic activity that is projected to occur. The applicant sets its own annual performance requirements with the data submitted in a Final Application. If the Final Application is approved and incentives are authorized, the VEGI incentive can only be earned for each year authorized if:

- 1) Base full-time payroll and employment is maintained or increased; *and*
- 2) The New Qualifying Payroll Performance Requirement is met; *and*
- 3) *Either* the New Qualifying Employment *or* the New Qualifying Capital Investment Performance Requirement is met.

Click here for more detail on [Annual Performance Requirements](#). [#Top of the Document](#)

Authorization Period: Means the same as “award period,” which is defined as the consecutive calendar years - no less than one year and no more than five years - during which an applicant will add new, qualifying employees and payroll and make new, qualifying capital investments eligible for VEGI incentives. The applicant is not required to add new, qualifying employees or make qualifying capital investments for five years. However, the cost-benefit modeling required to calculate the net revenue benefit to the state and the incentive amount will always calculate the five year net revenue benefit resulting from the activity that occurs during any of the one to five years during which eligible activity occurs. The authorization period will start on the Activity Commencement Date and end on December 31 of the fifth consecutive year. The authorization period *will not* run for a full five years if the Activity Commencement Date is mid-year. The authorization period will include the remainder of the first year and the full twelve months of the consecutive four years. For example, if the Activity Commencement Date is July 1, 2012, the Authorization Period is: July 1, 2012 – December 31, 2016. Only the economic activity to occur between July 1, 2012 and December 31, 2012 is eligible activity in Year 1.

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Background Growth: The purpose of the VEGI program is to provide an incentive for economic activity that would not occur except for the incentive and which is above and beyond what would normally occur or would occur anyway. The But For criterion ensures the former, the cost-benefit model, by measuring and accounting for “background” or “organic” growth ensures the latter. Even economic activity that is occurring because of an incentive may include some hiring that might have occurred as the natural business growth of a company. Of course, this is not the case with start-ups or companies new to Vermont. However, Vermont statute requires that all applications be treated uniformly, so background growth is calculated for *all* applications.

A background growth rate schedule is calculated annually and is published each January on the VEGI website. The rates are utilized by VEPC throughout the calendar year to calculate background growth for each VEGI application. The rate for each applicant is determined using the NAICS code for the economic activity the applicant intends to undertake in Vermont.

The rate is applied against the company’s base full-time payroll to calculate the level of new, qualifying payroll that must be created each year *before* any incentive is calculated.

Click here for more detail on [Background Growth](#).

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Click here to view the current [Background Growth Rate Chart](#).

Click here to view a [Sample VEGI Incentive Calculation](#), including background growth.

Base Employment and Payroll: For the purposes of the VEGI program, “base payroll” means the level of annualized payroll for all full-time employees, including both “qualifying” and “non-qualifying” employees. The base payroll as of the Activity Commencement Date is the annualized level of payroll for the number of full-time employees (both qualifying and non-qualifying) as of the day before the Activity Commencement Date. This base employment and payroll level must be maintained or increased every year to earn the VEGI incentive, otherwise the new qualifying employees added cannot be considered incremental (they are backfilling for decreased employment and attrition). To ensure that the base payroll level indicated on a VEGI application is accurate, a Base Employment Excel workbook must be filed with any Final Application which shows employment in Vermont prior to the

Activity Commencement Date. The employment and payroll detail included in this workbook will be verified by the Department of Taxes (by comparing to withholding data) to ensure the accuracy of the application base payroll data. The base payroll as of the end of Year 0 (the calendar year prior to the Activity Commencement Date), will be used to calculate background growth. If the applicant has no employment in Vermont in Year 0, the payroll created in Year 1 will be used to calculate background growth.

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But For: As part of the process to authorize VEGI incentives, the Vermont Economic Progress Council must determine whether the prospective economic activity presented in the application would not occur at all, would not occur in Vermont, or would occur in a significantly different and significantly less desirable manner, unless the incentive is approved. This approval criterion, known as the “But For,” is one of three main approval criteria VEPC must consider. This criterion is key to the program because no taxpayer dollars are appropriated for these incentives. The incentive is paid from future, incremental tax revenues generated by the applicant company, if and when the proposed economic activity occurs. The But For ensures that this tax revenue is not only incremental to the State, but it would not have been generated unless the incentive is approved. Therefore, the incentive is not a cost to the taxpayers.

Click here for more detail on the [But For approval criterion](#).

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Capital Investment: “Capital investments” are generally defined as expenditures for fixed assets with a useful life of one year or more and amounts paid or incurred to add to the value, or to substantially extend the useful life, of real and personal property owned by the applicant. Specific capital investments can include:

- “Machinery and equipment” investments: Expenditures for tangible personal property, capital in nature, with a useful life of one year or more, including the costs to get the machinery or equipment to, and installed in, the subject property in Vermont. Machinery and equipment does include office equipment and furnishings and computer software and hardware. Machinery and equipment does not include real property or supplies.
- “New” machinery and equipment means that the machinery and equipment has never been utilized or been included on a depreciation schedule.
- “Used” machinery and equipment has been utilized and/or depreciated by a previous owner. Machinery and equipment that will be transferred from one division or subsidiary of a business to another division or subsidiary that is the applicant business must not be included in the VEGI application unless the applicant business will show an expenditure for the asset. Asset transfers among divisions or subsidiaries must not be included.
- “Plant and facility investments” mean expenditures for real property including buildings, structures, and any permanent fixtures or machinery considered real property. Plants and facilities do not include land.
- “Land” investments means any expenditures for only real estate, whether the land is acquired with an existing facility or the land alone is purchased.
- “Acquired” plants and facilities and machinery and equipment mean those that exist *in Vermont* already and will be acquired by the applicant business.
- “New” plants and facilities mean those that require new construction after the date of application and should include all construction costs, any site preparation costs, and access to utility services costs.

- “Renovation investments” mean major improvements to an existing plant or facility, whether the facility is owned by the applicant prior to application or will be acquired by the applicant and then improved, including “fit-up” costs. Fit-up costs may include costs that are paid directly to a contractor or those that are included in a lease payment. Renovations are differentiated from normal repair and maintenance by the degree of improvement, the level of investment and the requirement of an incentive for the improvements to occur as part of the project that is the subject of the application. Normal repair and maintenance are not eligible expenditures.

Qualifying Capital Investments: To be considered a qualifying capital investment that can be included on a VEGI application and then claimed on a VEGI claim, the investment must be made:

- As part of the project that will occur because of the incentive applied for; not expenditures that would occur anyway such as annual repair or maintenance costs of existing capital assets.
- *After* the Activity Commencement Date included on the application. If the application is submitted during Year 1 (That is, the year of application and the year economic activity will begin for which the incentive is sought are the same), do not include as qualifying investments those investments made during that year prior to the Activity Commencement Date. Enter investments made prior to the Activity Commencement Date on the Applicant Data Form: Data Part I – Activity Commencement Data.
- Only by the business(es) that is/are the subject of the application. Facility investments may be made by a related company (such as a holding company) but details on both entities must be included in the application.
- For capital machinery and/or equipment put in use in Vermont or plant and facilities in Vermont by the applicant(s) for the project that is the subject of the application. [#Top of the Document](#)

Claim: A VEGI claim is filed each year by an approved VEGI applicant to provide the information required to allow the Vermont Department of Taxes to determine if the annual performance measures have been met and aggregate data that must be tracked for reporting to the Vermont legislature. A claim must be filed to receive installments for an earned incentive, must be filed even if the company has no performance measures in a given year, or the company believes they may not have met performance measures in a given year. The claim is filed on the same *VEGI Application and Claim System* that was used to file the VEGI application. An annual claim consists of a claim form, a benefits claim form, and four MS Excel workbooks. After the five-year authorization period, a claim maintenance form is filed for four years. [#Top of the Document](#)

Cost-Benefit Modeling: Generally, cost-benefit modeling is the use of an input-output economic model to determine the benefits and costs of an activity. As part of the authorization process for the VEGI Incentive program, the Vermont Economic Progress Council must determine to what level the economic activity proposed by an applicant will generate more incremental tax revenue for the state than is foregone through the incentive. To do this, an economic model is utilized to measure the economic impact of the proposed activity (new jobs, payroll, and capital investment). The model then translates this economic impact into annual revenue benefits and costs to the State, measuring not only the incremental revenues that would be generated by the activity (personal income, corporate, property, sales and use, etc), but also the revenue costs that would occur (services, school costs, etc.). The difference between the total benefits and total costs over five years is the “Net Revenue Benefit” which is utilized by VEPC as the starting point of the VEGI incentive calculation.

Click here for more detail on [Cost-Benefit Modeling](#) [#Top of the Document](#)

Council: Refers to the Vermont Economic Progress Council, or VEPC, also referred to as the Board. This is the state body appointed to consider applications to the VEGI program. The Council consists of a Board of eleven voting members, plus regional representatives. The Board is made up of nine citizens of Vermont appointed by the Governor, a member of the Vermont House of Representatives appointed by the Speaker of the House, and a member of the Vermont Senate appointed by the Senate Committee on Committees. The regional representatives, who serve in an advisory and advocacy capacity, are designated by each of the regional development corporations and the regional planning commissions.

Click here for more detail on [VEPC](#).

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Final VEGI Application: The VEGI application process *can* consist of three steps: a Pre-Application, a formal Initial Application, and a formal Final Application. The typical order of events would be:

- File a VEGI Pre-Application to get an incentive estimate (No due date; file anytime, but well before project and formal application)
- Receive the Pre-Application Estimate (Within 5-7 days of filing complete Pre-Application)
- File a formal Initial VEGI Application (By first Friday of the month to be considered and *before* a decision is made by the applicant company to proceed with the project)
- Initial VEGI Application considered by VEPC (Fourth Thursday of the month)
- Applicant performs due diligence and makes project decisions
- Activity Commencement Date occurs
- Final VEGI Application filed and considered (By end of calendar year)

A Pre-Application is recommended when the applicant needs to get an estimate of incentives prior to proceeding with an application. The Pre-Application is informal, has no filing deadline, does not go before the VEPC Board, makes no commitment of activity, and no incentives are authorized. Pre-Application should be filed well in advance of the start of an actual project and at least several weeks before an Initial or Final Application is filed.

An Initial Application is a formal application that must be filed before the monthly application deadline. An Initial Application is considered by the VEPC Board, who makes a determination regarding the But For and Program Guidelines and approves an Initial incentive amount. An Initial Application must be filed and considered by VEPC *before* the applicant company makes a decision to proceed with the activity for which incentives are sought and before the Activity Commencement Date.

If an Initial Application is filed and approved, then the applicant proceeds with due diligence, makes decisions about the project, and commences the activity. Then, before the end of the calendar year in which the project commenced, a Final Application is filed. The applicant is setting the Annual Performance Requirements with the employment, payroll, and capital investment data contained in the Final Application and that data will determine the final incentive amount.

It is expected that the project data will change as the application process proceeds as the applicant firms up the project projections. Use of the Initial-Final process is best for companies who are considering Vermont as well as other locations and are relying on incentives to make the location decision, or

companies who may have a complicated real estate transaction that cannot be finalized at the time that the But For must be addressed.

While the first two steps are recommended under certain circumstances, they are optional. The only required application is a Final Application. Final Application may be filed without ever filing a Pre-Application or Initial Application. If a Final Application is the first formal application filed, it must be filed and considered before the Activity Commencement Date and before the applicant company makes decisions to proceed with the activity for which incentives are sought.

Click here for more detail on [Initial and Final Applications](#).

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Full-time Employee: For the purposes of the VEGI program, a full-time employee is an employee who works at least 35 hours per week and who is permanent (not temporary, contract, or agency). For the purposes of the VEGI program, a “*qualifying*” full-time employee is defined as one who meets the definition above *and* is:

- **New:** Has not worked at the company prior to the Activity Commencement Date or is an existing employee who is filling a position created after the Activity Commencement Date if that person’s previous position is backfilled.
- **Working in Vermont:** Will earn Vermont W2 wages and withholding will be paid to the State of Vermont on behalf of the employee. Note that Vermont residency is not required.
- **Not an owner:** Does not have a 10% or more ownership interest in the applicant company.
- **Paid above the [VEGI Wage Threshold](#)** for the year in which a Final Application is approved and the region in which the project will occur, and is eligible for certain benefits provided by the employer. Click [here](#) for more detail.

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Good Standing: Refers to the applicant company’s standing with the Vermont Department of Taxes. VEGI incentives cannot be authorized for a company that has an outstanding tax debt with the State of Vermont. For a VEGI application to be considered complete, a Letter of Good Standing must be obtained from the Vermont Department of Taxes and uploaded to the Applicant Information Form of the VEGI Application. Instructions for obtaining a Letter of Good Standing are included on the instructions for that application form. Note that good standing with the Department of Taxes is *not* the same as good standing with the Secretary of State, which has to do with corporation filings.

Click here for more details on [Good Standing](#).

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Green VEGI Enhancement: Vermont statute allows for an increased level of incentive for projects that will create new jobs in certain environmental technology sectors. VEPC will utilize the Green VEGI incentive calculation if the applicant and the proposed project are certified as eligible by the Secretary of the Vermont Agency of Commerce. The certification is built into the VEGI application process.

Click here for more detail on the [Green VEGI Enhancement](#).

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Gross Wages and Salaries: Are defined as:

- Medicare wages and salaries as reported on Federal Tax Form W2;
- Excluding income from non-statutory stock options; and
- Excluding the value of benefits, unless they are paid directly to the employee and appear in their W2 Medicare wages.

For applicants to the VEGI program, only employees with gross wages and salaries for employment in Vermont for the company that is the subject of the VEGI application should be included on the VEGI application in the appropriate employee category (qualifying, non-qualifying, part-time/seasonal, or owner). [#Top of the Document](#)

Guidelines: As part of the authorization of VEGI Incentives, the Vermont Economic Progress Council must determine if an application meets three basic criteria, including whether the company and economic activity meet a set of “quality control” guidelines. Statute includes nine guidelines covering issues such as average wages, benefits, opportunities for advancement, community involvement, impacts on the municipality, region, and state, and local competition. Information is provided by applicants that will be used by VEPC to determine the extent to which the guidelines are met.

Click here for more detail on the [VEGI Program Guidelines](#). [#Top of the Document](#)

Initial VEGI Application: The VEGI application process *can* consist of three steps: a Pre-Application, a formal Initial Application, and a formal Final Application. The typical order of events would be:

- File a VEGI Pre-Application to get an incentive estimate (No due date; file anytime, but well before project and formal application)
- Receive the Pre-Application Estimate (Within 5-7 days of filing complete Pre-Application)
- File a formal Initial VEGI Application (By first Friday of the month to be considered and *before* a decision is made by the applicant company to proceed with the project)
- Initial VEGI Application considered by VEPC (Fourth Thursday of the month)
- Applicant performs due diligence and makes project decisions
- Activity Commencement Date occurs
- Final VEGI Application filed and considered (By end of calendar year)

A Pre-Application is recommended when the applicant needs to get an estimate of incentives prior to proceeding with an application. The Pre-Application is informal, has no filing deadline, does not go before the VEPC Board, makes no commitment of activity, and no incentives are authorized. Pre-Application should be filed well in advance of the start of an actual project and at least several weeks before an Initial or Final Application is filed.

An Initial Application is a formal application that must be filed before the monthly application deadline. An Initial Application is considered by the VEPC Board, who makes a determination regarding the But For and Program Guidelines and approves an Initial incentive amount. An Initial Application must be filed and considered by VEPC *before* the applicant company makes a decision to proceed with the activity for which incentives are sought and before the Activity Commencement Date.

If an Initial Application is filed and approved, then the applicant proceeds with due diligence, makes decisions about the project, and commences the activity. Then, before the end of the calendar year in which the project commenced, a Final Application is filed. The applicant is setting the Annual Performance Requirements with the employment, payroll, and capital investment data contained in the Final Application and that data will determine the final incentive amount.

It is expected that the project data will change as the application process proceeds as the applicant firms up the project projections. Use of the Initial-Final process is best for companies who are considering Vermont as well as other locations and are relying on incentives to make the location decision, or companies who may have a complicated real estate transaction that cannot be finalized at the time that the But For must be addressed.

While the first two steps are recommended under certain circumstances, they are optional. The only required application is a Final Application. Final Application may be filed without ever filing a Pre-Application or Initial Application. If a Final Application is the first formal application filed, it must be filed and considered before the Activity Commencement Date and before the applicant company makes decisions to proceed with the activity for which incentives are sought.

Click here for more detail on [Initial and Final Applications](#).

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Incentive Percentage: Means the percentage applied each year to the net (after background growth) qualifying payroll, the product of which is the amount of earned incentive for that year. The Incentive Percentage is calculated as follows:

Five Year Net Revenue Benefit (Calculated through a cost-benefit modeling of project activity)

X (times) 80% Incentive Ratio (90% if Green VEGI Eligible)

= (equals) Post Incentive Ratio Net Fiscal Benefit

÷ (divided by) Total New Qualifying Payroll for Project

= (equals) Incentive Percentage

Once the Incentive Percentage is calculated, the incentive amount that can be earned each year is that percentage X (times) the net New Qualifying Payroll generated each year.

Click here to view a [Sample Incentive Calculation](#).

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Incentive ratio: A ratio that is used in the VEGI incentive calculation to decrease the net revenue benefit that can be used to calculate the incentive, thereby guaranteeing a return to the state. By statute the Incentive Ratio is set at 80%, except the ratio is 90% for Green VEGI applications.

Click here to view a [Sample Incentive Calculation](#).

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Look Back Requirement: VEGI Program Guideline #1 requires that if a VEGI applicant's employment data shows that the company decreased full-time employment in Vermont during the two years leading up to the application year, the incentive must be calculated using only the payroll for the qualifying jobs that are added *after* the full-time headcount is brought back up to the average level during the two years prior to the application year. For example, a company applying in May 2016 had 66 full-time employees in Vermont at end of 2014 and 56 at end of 2015 and is at 54 at time of application. The formula is: Average of 66 and 56 = 61 – 54 = 7. Therefore, 7 jobs must be added before any incentive is calculated. If the company projected adding 10 new, qualifying jobs in Vermont during 2011, only the payroll for the last three new, qualifying jobs would be used in the incentive calculation. The payroll for the first seven new, qualifying jobs would be considered “background growth.” The Council can waive the look back requirement if it can be determined that the company will establish a significantly different, newline of business and create new jobs in the newline of business that were not part of the company prior to application.

Click here for more detail on the [Look Back Requirement](#).

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Net Fiscal Benefit: Generally, cost-benefit modeling is the use of an input-output economic model to determine the benefits and costs of an activity. As part of the authorization process for the VEGI Incentive program, the Vermont Economic Progress Council must determine to what level the economic activity proposed by an applicant will generate more incremental tax revenue for the state than is foregone through the incentive. To do this, an economic model is utilized to measure the economic impact of the proposed activity (new jobs, payroll, and capital investment). The model then translates this economic impact into annual revenue benefits and costs to the State, measuring not only the incremental revenues that would be generated by the activity (personal income, corporate, property, sales and use, etc), but also the revenue costs that would occur (services, school costs, etc.). The difference between the total benefits and total costs over five years is the “**Net Fiscal Benefit**” which is utilized by VEPC as the starting point of the VEGI incentive calculation.

Click here for more detail on [Cost-Benefit Modeling](#).

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Non-owner: For purposes of the VEGI program, a non-owner is an employee who has an ownership interest in the applicant company of less than 10%, including attribution of ownership interests of the employee's spouse, parents, spouse's parents, siblings, and children. Any employee who owns 10% or less of an applicant company would not be included as an owner-employee, they would be included as a qualifying, non-qualifying, or part-time employee, depending on their work hours and wages. An employee receiving wages or a salary that owns 10% or more (including attribution listed above) would be included in the “Owner” category. An owner that does not receive wages or salary (i.e. receives compensation by other means) is not included in any employee category on a VEGI application.

Click here for detail on [job categories](#)

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Non-Qualifying Employee: For purposes of the VEGI program, a non-qualifying employee is the same as a qualifying employee in that the employee:

- Is paid Medicare wages or salaries as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of a VEGI application;
- Is permanent in the sense that they are not temporary, contract, or agency employees;
- Is not an owner (more than 10% ownership interest);
- Is full-time (works 35 hours or more each week);

Except that a non-qualifying employee:

- Earns an average annual wage (or a salary) that is *the same or less than* the [VEGI Wage Threshold](#) for the region in which the project will occur for the year in which Final Application will be considered for the applicant company; **and/or**
- Is not eligible for certain benefits provided by the employer.

Click here for detail on [job categories](#).

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Owner-Employee: For purposes of the VEGI program, an owner-employee is an owner of the company who is also paid as an employee. This means:

- They are paid Medicare wages or salaries that are reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of this application; and
- They have more than a 10% ownership interest in the company that is the subject of the VEGI application, including attribution of ownership interests of the employee's spouse, parents, spouse's parents, siblings, and children.

If an owner's interest, including attribution of ownership interest is 10% or less, and they receive Medicare wages or salaries for employment in Vermont by the company that is the subject of the VEGI application, include them in another category (part-time, qualifying, or non-qualifying) depending on their status or wage level.

Do not include owners who do not receive Medicare wages or salaries anywhere on the application. For example, owners who receive shares or stock only as payment should not be included on the application.

Click here for detail on [job categories](#).

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Part-time Employee: For purposes of the VEGI program, a part-time employee is an employee who is paid Medicare wages or salaries as reported on Federal Tax Form W2 for employment in Vermont by the company that is the subject of the VEGI application, and works **34 hours or less per week**.

Click here for detail on [job categories](#).

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Pre-Application: The VEGI application process *can* consist of three steps: a Pre-Application, a formal Initial Application, and a formal Final Application. The typical order of events would be:

- File a VEGI Pre-Application to get an incentive estimate (No due date; file anytime, but well before project and formal application)
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An Initial Application is a formal application that must be filed before the monthly application deadline. An Initial Application is considered by the VEPC Board, who makes a determination regarding the But For and Program Guidelines and approves an Initial incentive amount. An Initial Application must be filed and considered by VEPC *before* the applicant company makes a decision to proceed with the activity for which incentives are sought and before the Activity Commencement Date.

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While the first two steps are recommended under certain circumstances, they are optional. The only required application is a Final Application. Final Application may be filed without ever filing a Pre-Application or Initial Application. If a Final Application is the first formal application filed, it must be filed and considered before the Activity Commencement Date and before the applicant company makes decisions to proceed with the activity for which incentives are sought.

Click here for more detail on [Initial and Final Applications](#).

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Regional Differential: The VEGI cost-benefit model utilizes a rate of adjustment to calculate the present value of the net revenue benefit to the state. The rate of adjustment is the total of the General Obligation Bond Rate for the State of Vermont from the most recent General Obligation Bond sale as of January 1 of the year of application, plus a Regional Differential Adjustment Rate. The Regional Differential Adjustment rate will provide an adjustment to the GO Bond Rate in order to provide a preference through a higher incentive authorization value for projects occurring in economically underperforming regions of the state, as required by 32 VSA §5930a(c)(1).

For purposes of the Regional Differential Adjustment, there are three regions in Vermont. The Regional Differential Adjustment Rate is “+1.0” for counties in Region 1 (economically underperforming areas), “+0.0” for counties in Region 2 (neutral; performing around state average), and “-1.0” for counties in Region 3 (performing above state average). The economic data utilized to establish the regions is

reviewed annually (population, unemployment, employment, the change in total household employment, manufacturing employment, agricultural employment, and personal income). Placement of each county in the model regions will be updated if warranted by economic changes.

Click for more detail on the [Regional Differential](#).

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Seasonal Employee: For purposes of the VEGI program, a seasonal employee is an employee who is paid Medicare wages or salaries as reported on Federal Tax Form W2 for employment in Vermont by the company applying for VEGI incentives, but is hired with the expectation that the job will not provide work for a substantial portion of the year. Employees meeting this definition are included in Part-time/Seasonal category on the VEGI application.

Click here for detail on [job categories](#).

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LMA Enhancement: When considering VEGI Applications, the VEPC Board has the discretion to increase an incentive amount under certain circumstances. Use of this enhancement is statutorily limited to certain geographic regions of the state, as determined by economic data. Additionally, because use of the enhancement is capped at a total of \$1 million each calendar year, the VEPC Board has established a set of criteria which must be considered to determine if the enhancement should be utilized and at what level the enhancement can be approved. Basically, for each dollar the incentive is increased under the enhancement, the net revenue return to the State of Vermont is decreased by roughly a dollar.

Click here for more detail on the [LMA Enhancement](#).

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Qualifying Job: To qualify means that the payroll for the new job can be included in the incentive calculation. A “qualifying job” is defined as:

- New position created after the [Activity Commencement Date](#) (may be filled by an existing employee only if that person’s previous position is backfilled).
- Full-time (works at least 35 hours per week);
- Permanent (not seasonal, temporary, contract, or temp agency);
- Not an owner (someone who controls 10% or more of the company);
- Paid a Medicare wage or salary as reported on a Federal Tax Form W2 for employment in Vermont by the company that is applying for VEGI incentives, at an annual average rate that is *more than* 140% or 160% of the Vermont Minimum Wage, depending on the Labor Market Area in which the project will occur (Click [here](#) to determine the LMA and Wage Threshold for your project); and
- Will be eligible for at least three of the following employee benefits provided by the employer:
 - (A) **Health care:** employer pays at least 50% of an employee’s health care costs or at least 50% of the employee’s health care insurance premium;
 - (B) **Dental assistance:** employer pays a portion of an employee’s dental care costs or a portion of the employee’s dental care insurance premium;
 - (C) **Paid vacation:** employer provides wages or salary for vacation days taken by employee;
 - (D) **Paid holidays:** employer provides wages or salary for scheduled holidays taken by the employee;
 - (E) **Child care:** employer provides free on-site child care or pays for some portion of employee child care expenses directly, as a reimbursement, or through a contribution to an employee assistance program.

(F) **Other extraordinary employee benefits:** employer pays some portion of some other employee benefit. “Extraordinary” means a benefit that substantially impacts an employee. Examples of extraordinary benefits include: tuition assistance or reimbursement, adoption assistance, short and long term disability insurance with premium paid by employer, accidental death and dismemberment insurance with premium paid by employer, life insurance with premium paid by employer, vision care costs or insurance premium paid by employer, bonus pay, profit sharing, transportation subsidies, or substantial recreation benefits such as a season ski pass, year-long gym membership or equivalent. Benefits that will not be considered extraordinary are things such as flex time, work related shoes or clothing, on site services such as credit unions, gyms or massages, employee assistance programs, parties, products or product discounts.

(G) **Retirement benefits:** employer makes a contribution to some type of employee retirement account each pay period;

(H) **Other paid time off, excluding paid sick days:** employer provides wages or salary for leave, above and beyond vacation, holiday, or mandatory sick leave, taken by employee. This can include, but is not limited to, paid leave stated as a policy for paid maternity, paternity, adoption, bereavement, family emergency, jury duty, military service, and community volunteering.

Note: When completing a VEGI application, you will include *Existing Qualifying Employees* who fit the above definition except “new” in the historic data. The *New Qualifying Employees* will be included on the application for Years 1-5. [#Top of the Document](#)

Used Machinery and Equipment: For the purposes of the VEGI program used machinery and equipment is machinery or equipment that has been utilized and/or depreciated by a previous owner and will be purchased by the applicant company for installation and use in Vermont for the project that is the subject of the VEGI application. Machinery and equipment that will be transferred from one division or subsidiary of the applicant business to another division or subsidiary of the applicant business, even if it is brought in from outside Vermont, must not be included in the VEGI application unless the applicant business will show an expenditure for the asset. Asset transfers among divisions or subsidiaries must not be included. [#Top of the Document](#)

Utilization Period: Means the period during which incentives can be claimed, and includes each year of the award period (also called authorization period), plus the four years immediately following each year of the award period. Because all authorization periods are five years long, all total utilization periods are nine years long.

Click for an illustration of the [Authorization and Utilization periods](#). [#Top of the Document](#)

VEPC: Stands for the Vermont Economic Progress Council, also referred to as the Board. This is the state body appointed to consider applications to the VEGI program. The Council consists of a Board of eleven voting members, plus regional representatives. The Board is made up of nine citizens of Vermont appointed by the Governor, a member of the Vermont House of Representatives appointed by the Speaker of the House, and a member of the Vermont Senate appointed by the Senate Committee on Committees. The regional representatives, who serve in an advisory and advocacy capacity, are designated by each of the regional development corporations and the regional planning commissions. Click here for more detail on [VEPC](#). [#Top of the Document](#)

Vermont gross wages and salaries: Are defined as:

- Medicare wages and salaries as reported on Federal Tax Form W2;
- Excluding income from non-statutory stock options; and
- Excluding the value of benefits, unless they are paid directly to the employee and appear in their W2 Medicare wages.

For applicants to the VEGI program, only employees with gross wages and salaries for employment in Vermont for the company that is the subject of the VEGI application should be included on the VEGI application in the appropriate employee category (qualifying, non-qualifying, part-time/seasonal, or owner). [#Top of the Document](#)

Wage Threshold: The VEGI Wage Threshold is the wage level above which a new job must be paid to be considered “qualifying.” The VEGI Wage Threshold that applies to a project is 160% or 140% of the Vermont Minimum Wage for the year in which the project commences, depending on the Labor Market Area (LMA) in which the project will occur. Click [here](#) for further detail and for the steps to determine the VEGI Wage Threshold for your project.

Click here for more detail on the [VEGI Wage Threshold](#). [#Top of the Document](#)