



**VERMONT ECONOMIC PROGRESS COUNCIL
VERMONT EMPLOYMENT GROWTH INCENTIVE
ILLUSTRATION OF INCENTIVE CALCULATION**

NOTICE: THIS EXAMPLE ILLUSTRATES HOW THE VEGI INCENTIVE IS CALCULATED AND PAID OUT. DO NOT USE THIS EXAMPLE TO COMPARE AGAINST THE POTENTIAL INCENTIVE AMOUNT FOR WHICH YOUR PROJECT MIGHT BE ELIGIBLE.

Applicant: Sample Company
NAICS: 333911

PERFORMANCE MEASURES BASED ON APPLICATION							
	2016	2017	2018	2019	2020	2021	Totals
BASE FULL-TIME PAYROLL	\$ 3,879,000						
NEW QUALIFYING PAYROLL		\$439,000	\$491,000	\$712,000	\$865,000	\$897,000	\$3,404,000
NEW QUALIFYING JOBS		9	9	16	18	18	70
NEW QUALIFYING CAPITAL INVESTMENT		\$8,000,000	\$1,000,000	\$900,000	\$100,000	\$0	\$10,000,000

1. To earn incentive, company must maintain or increase base full-time payroll and meet payroll and either headcount or capital investment performance measures by December 31 of each year. The performance measures are set by the applicant in their Final Application

2. This number is calculated by a cost-benefit analysis that determines the revenue benefits and costs to the State of Vermont generated by the proposed economic activity presented by the applicant (see #1 above). The result is the amount of incremental net new tax revenues that will be generated over five years from all sources to the State of Vermont because of the project activity.

INCENTIVE PERCENTAGE CALCULATION			
Pre-Incentive Net Fiscal Benefit for State: (As calculated by cost-benefit model)			\$1,462,760
(TIMES) Statutory Incentive Ratio	X		80%
(EQUALS) Post-Incentive Ratio C/B Net Fiscal Benefit:	=		\$1,170,208
(DIVIDED BY) Total Qualified Payroll Increase	÷		\$3,404,000
(EQUALS) Incentive Percentage	=		34.38%

3. Statute requires that only 80% of the net revenue benefit be used to calculate the incentive (90% for Green VEGI applications).

4. Statute requires that the adjusted net revenue benefit be divided by the total qualifying payroll that will be created by the project to get the Incentive Percentage for which the applicant is eligible.

5. Background Growth Rates for each industry sector (by NAICS) are determined annually using 15 years of data. The industry growth rate is applied to the applicant's total full-time payroll to determine the amount of "background" or "organic" payroll growth that would occur regardless of the incentive. (This amount is adjusted to 20% of normal background growth for Green VEGI applications.) The background growth is then subtracted from the new qualifying payroll projected by the applicant to get the net payroll for which an incentive can be calculated.

PAYROLL AND BACKGROUND GROWTH CALCULATION							
	0.99%	Yr 1 2017	Yr 2 2018	Yr 3 2019	Yr 4 2020	Yr 5 2021	Totals
Background-Growth Rate:	0.99%						
Base Payroll	\$3,879,000	\$4,434,000	\$5,058,000	\$5,922,000	\$6,965,000	\$8,071,000	
Incremental Qualifying Payroll		\$439,000	\$491,000	\$712,000	\$865,000	\$897,000	\$3,404,000
Organic Growth		\$3,917,315	\$3,956,009	\$3,995,085	\$4,034,547	\$4,074,399	
Incremental Background growth		\$38,315	\$38,694	\$39,076	\$39,462	\$39,852	\$195,399
Payroll to be incented		\$400,685	\$452,306	\$672,924	\$825,538	\$857,148	\$3,208,601

6. For each year, the Incentive Percentage is multiplied by the net new qualifying payroll (after background growth is discounted) to get the incentive amount that can be earned that year. To earn the incentive, base payroll and employment must be maintained, and payroll and either headcount or capital investment performance measures must be fully met.

7. For each year that an incentive is earned, it is paid out in five installments if the payroll and headcount targets are maintained. The first installment is adjusted for partial year hiring and is therefore an estimate until the hiring actually occurs and the actual incentive is paid.

8. The "Maximum Incentive Amount" assumes all hires start January 1 of each year. This is the maximum amount of incentive that could be earned if all new qualifying employees are hired January 1 of each year.

THEORETICAL INCENTIVE AMOUNT AND PAYOUT CALCULATION												
Year	Max. Incentive Amount	Number of Jobs	2018	2019	2020	2021	2022	2023	2024	2025	2026	TOTALS
			1	2	3	4	5	6	7	8	9	
1 - 2017	\$137,755	9	\$22,959	\$27,551	\$27,551	\$27,551	\$27,551					\$133,163
2 - 2018	\$155,503	9		\$25,917	\$31,101	\$31,101	\$31,101	\$31,101				\$150,319
3 - 2019	\$231,351	16			\$38,559	\$46,270	\$46,270	\$46,270	\$46,270			\$223,640
4 - 2020	\$283,820	18				\$47,303	\$56,764	\$56,764	\$56,764	\$56,764		\$274,359
5 - 2021	\$294,688	18					\$49,115	\$58,938	\$58,938	\$58,938	\$58,938	\$284,865
Total	\$1,103,117	70										
Annual Sum of Incentives:			\$22,959	\$53,468	\$97,211	\$152,225	\$210,801	\$193,072	\$161,972	\$115,702	\$58,938	
Cumulative Total			\$22,959	\$76,427	\$173,638	\$325,863	\$536,664	\$729,736	\$891,708	\$1,007,409	\$1,066,347	\$1,066,347

10. This is the estimated amount of the incentive check that would be paid to the company each year. The actual amount will depend on the prorated amount of each first installment and performance each year.

9. The first incentive installment is a prorated adjustment estimated to account for partial year hiring, based on the data provided in the application. The actual amount of the first installment will depend on the number of days each new qualifying hire actually works during their first year. The second through fifth installments are the full earned incentive amount

NET REVENUE BENEFIT TO STATE OF VERMONT (AFTER ALL COSTS, INCLUDING COST OF INCENTIVES):	\$650,000
---	------------------

12. This is the net amount of tax revenues that will be generated to the State of Vermont by the economic activity of the applicant, after the costs of the incentive and other revenues costs.

11. This is the total net estimated incentive amount that the applicant would be paid, including the prorated adjustment to each first installment. It is an estimate because the actual first installment amounts cannot be known until after each annual incentive is earned.