

Finance and Incentive Programs Available to Support Business Development Projects in North Dakota

North Dakota and the Federal government through the U.S. Department of Agriculture (USDA), Small Business Administration (SBA), and the Economic Development Administration offer many finance and tax incentive programs to support business development investment in North Dakota.

In addition to these finance and tax incentive programs presented on the following pages, many jurisdictions have local investment programs available to support economic development expansion in their communities and regions. These programs are accessible through local community economic development corporations and/or regional planning council offices.

<i>PROGRAM</i>	<i>Grant</i>	<i>Debt</i>	<i>Equity</i>	<i>Loan Guarantee</i>	<i>Tax Credit</i>
Accelerated Growth Loan Program		X			
Ag Commodity Export Enhancement Program		X			
Ag PACE		X			
Ag Products Utilization Commission	X				
Agricultural Commodity Processing Facility Investment Tax Credit			X		X
Agricultural Processing Plant Construction Materials Sales Tax Exemption					X
Angel Fund Investment Tax Credit **			X		X
Beginning Entrepreneur Loan Guarantee				X	
Biofuels PACE		X			
Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program				X	
BND Business Development Loan Program		X			
BND USDA Loan Guaranteed Purchase				X	
Community Development Block Grant/Loan	X	X	X	X	
Computer & Telecommunications Equipment Sales Tax Exemption **					X
Dakota Medical Foundation / Impact IRP		X			
EB-5 Program			X		
Economic Dev. Administration Programs	X				
Export Enhancement Program		X			
Federal On-the-Job Training Programs	X				
Flex PACE		X			
Income Tax Exemption **					X
Industrial Development Bond Program		X			
Industrial Revenue Bonds		X			
Innovate ND	X				
Internship Employment Credit					X
Kiva Zip	X		X		
Main Street Loan Program		X			
Manufacturing, Agriculture, Recycling Equipment Sales Tax Exemption **					X
Match Program		X			
ND New Jobs Training Program **	X				
North Dakota Development Fund **		X	X		
North Dakota Opportunity Fund		X			
PACE **		X			
Payment in Lieu of Taxes					X
Property Tax Exemption **					X
Red River Corridor Fund		X			
Renaissance Zone Credits					X
Research Expense Credit					X
SBA 504 Program		X			
SBA 7(A) Community Advantage Program				X	
SBA 7(A) Loan Program				X	

SBA CAPLines Program		X		
SBA Intermediary Lending Pilot Program		X		
Seed Capital Investment Tax Credit **			X	X
Tourism Event Grant Program	X			
Tourism Expansion Grant Program	X			
Tourism Marketing Grant Program	X			
USDA Rural Dev. B&I Loan Guarantee **				X
USDA Rural Development Loan & Grant	X	X		
Value-Added Ag Equity Loan Program			X	X
Value Added Producer Grants	X			
Venture Capital Program				
Work Opportunity Tax Credit				X
Workforce Recruitment Credit				X

**** Requires Primary Sector Designation**

- Corporate Income Exemption requires approval from the State Board of Equalization
- Property Tax Exemption requires approval from the governing taxing body (city or county)

Programs most applicable to early stage / start-up entrepreneurial business ventures

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Ag Products Utilization Commission	X				
Agricultural Commodity Processing Facility Investment Tax Credit			X		X
Agricultural Processing Plant Construction Materials Sales Tax Exemption					X
Angel Fund Investment Tax Credit **			X		X
Beginning Entrepreneur Loan Guarantee				X	
Computer & Telecommunications Equipment Sales Tax Exemption **					X
Federal On-the-Job Training Programs	X				X
Income Tax Exemption **					X
Innovate ND	X				
Internship Employment Credit					X
Kiva Zip	X		X		
Main Street Loan Program		X			
Manufacturing, Agriculture, Recycling Equipment Sales Tax Exemption **					X
North Dakota Development Fund **		X	X		
North Dakota New Jobs Training Program **	X				
North Dakota Opportunity Fund		X			
Payment in Lieu of Taxes					X
Property Tax Exemption **					X
Red River Corridor Fund		X			
Renaissance Zone Credits					X
Research Expense Credit					X
SBA 7(A) Community Advantage Program				X	
SBA Intermediary Lending Pilot Program		X			
Seed Capital Investment Tax Credit **			X		X
Tourism Event Grant Program	X				
Tourism Expansion Grant Program	X				
Tourism Marketing Grant Program	X				
USDA Rural Development Loan & Grant	X	X			
Value-Added Ag Equity Loan Program			X		X
Value Added Producer Grants	X				
Venture Capital Program			X		
Work Opportunity Tax Credit					X
Workforce Recruitment Credit					X

FINANCE PROGRAMS

Accelerated Growth Loan Program

Bank of North Dakota: <https://bnd.nd.gov/business/accelerated-growth-loan-program/>

The Accelerated Growth Loan Program assists North Dakota-based companies anticipating a period of dynamic growth. These companies have a record of proven operations, experienced management and the ability to generate cash flow but have limited assets for traditional bank financing.

The borrower can be any person or entity who owns a North Dakota-based company that anticipates a minimum growth in sales of 15 percent over three years with existing sales of \$1.5 million to \$10 million annually.

Use of Funds - Proceeds shall be used to:

- Finance the acquisition of real property
- Remodel or expand an existing business if owner-occupied
- Purchase or lease equipment
- Provide working capital
- Refinance an existing loan with a maximum amount that may not exceed 30 percent of the new loan

BND Funding Limit - BND's maximum loan participation is \$3,000,000. The lead financial institution's share is a minimum of 10 percent of the total loan amount and will be negotiated on a case-by-case basis.

Interest Rate - The lead lender's interest rate must be acceptable to BND. BND's variable rate is 2.00% above Prime, adjusted annually, but may be repriced more frequently at the Bank's discretion

Ag Commodity Export Enhancement Program

Bank of North Dakota: <https://bnd.nd.gov/ag/ag-commodity-export-enhancement-program/>

The Ag Commodity Export Enhancement Program is a tool for North Dakota ag commodity exporters to facilitate export sales to foreign buyers. BND works with the Export-Import Bank (Ex-Im) to provide insurance coverage of not less than 90 percent on bulk commodity sales as well as processed ag product transactions.

The applicant must be a North Dakota ag commodity exporter. The export of bulk ag commodities and food-grade, value-added ag products are allowed activities.

Ex-Im Bank determines eligibility based on financial strength of the foreign buyer and financial and political stability of the country where the buyer is located.

The minimum transaction is \$200,000.

Interest rate is a floating rate based on a fixed spread over a variable rate index determined by BND's Investment Committee.

The term of credit facility is a maximum of one year. The underlying eligible receivables to be financed are limited to a maximum of 180 days.

Agriculture Partnership in Assisting Community Expansion (Ag PACE)

Bank of North Dakota: <https://bnd.nd.gov/ag/ag-pace/#1442951996709-47c5d528-9aee>
N.D.C.C. § 6-09.13: <http://www.legis.nd.gov/cencode/t06c09-13.pdf?20140311145154>

The Ag PACE loan provides interest buydown on loans to farmers or ranchers investing in nontraditional agriculture activities to supplement farm income. The loan is used to reduce the interest rate on loans which have been approved by a local lender and BND.

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.

The total loan amount may not exceed the cost of the project.

The total buydown amount per borrower may not exceed \$20,000 per project or biennium. Buydown funds up to \$60,000 over the lifetime of the borrower are available if applied for on a separate project or in a separate biennium. In order to receive buydown funds in excess of \$20,000, the applicant must have a net worth of less than \$1,000,000. State Water Commission Funds, not exceeding \$20,000 per borrower, may be used to supplement Ag PACE funds to purchase irrigation equipment on new irrigated acreage.

Agricultural Products Utilization Commission (APUC)

ND Department of Commerce: <http://www.business.nd.gov/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 new wealth and employment opportunities through the development of new and expanded uses of North Dakota agricultural products. This is accomplished through the administration of a grant program.

Applicants are considered for funding within seven different grant categories: basic and applied research, marketing and utilization, nature based agri-tourism, technical assistance for value-added businesses, farm diversification, agricultural prototype development, and agricultural technologies.

Qualifying APUC grants are limited to companies registered with the North Dakota Secretary of State, groups, and individuals that add value to North Dakota agriculture.

Angel Investor Tax Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives/angel-fund-investment-credit>
 N.D.C.C. § 57-38-01.26: <http://www.legis.nd.gov/cencode/t57c38.pdf?20140319133302>

An angel investor is entitled to a credit against their North Dakota income tax liability for investments made by a certified angel fund into an in-state qualified business or an out-of-state qualified business. Eligible angel funds, and qualified businesses must be certified by the North Dakota Department of Commerce.

The credit is equal to 35% of the amount invested by the angel fund on behalf of the angel investor in an in-state qualified business during the taxable year and 25% of the amount invested by the angel fund on behalf of the angel investor in an out-of-state qualified business during the taxable year.

The aggregate amount of credits allowed to an angel investor in a taxable year is limited to \$45,000. The aggregate amount of credits allowed to an angel investor for investments made in all taxable years is \$500,000.

Beginning Entrepreneur Loan Guarantee Program

Bank of North Dakota: <https://bnd.nd.gov/business/beginning-entrepreneur-loan-guarantee/#1444232098812-5e6d7b78-f78a>
 N.D.C.C. § 6-09.15: <http://www.legis.nd.gov/cencode/t06c09-15.pdf?20141022151129>

The Beginning Entrepreneur Loan Guarantee Program assists with business startup financing by providing financial institutions with guaranty of a loan not to exceed \$500,000 for a maximum of five years. It may be used in conjunction with other BND programs.

Eligibility Requirements

- A North Dakota resident who graduated from high school or received a general equivalency certificate, has some training by education or experience in the type of revenue producing enterprise for which they are seeking a loan. Borrower's net worth must be less than \$500,000.

Use of Funds

- Purchase or improvements of real property, equipment or personal property
- Working capital needs
- Child care home, group or center licensed by the Department of Human Services.
- Business startup expenses including accounting, legal and business planning
- Refinance or consolidate debt
- BND may approve a guarantee on a loan up to \$5,000 to a beginning entrepreneur for business startup expenses including accounting, legal and business planning. The Bank may approve a guarantee on a loan up to \$25,000 without requiring collateral for the loan.

Funding Limits and Terms

- The guaranty percentage provided by BND ranges from 50% to 85% depending upon the amount of the loan.

Biofuels PACE

Bank of North Dakota: <https://bnd.nd.gov/ag/biofuels-pace-program/#1442954780735-7783617f-bf73>
N.D.C.C. § 17-03: <http://www.legis.nd.gov/cencode/t17c03.pdf?20140311151027>

Biofuels PACE Program provides interest buydown on loans to biodiesel, ethanol or green diesel production facilities and livestock operations. The loan is used to reduce the interest rate on loans which have been approved by a local lender and BND. There is no community match required. Total buydown amount for ethanol production, biodiesel production and green diesel production is \$500,000. When utilized for livestock operations, the project maximum is \$250,000 to any single livestock operation.

Use of Funds:

- Purchase or construct real property
- Expand facilities
- Purchase or install equipment including a biodigester system

Livestock operations criteria

- Livestock operations located in ND that feed, handle, milk or hold livestock while using a byproduct produced at a biodiesel or ethanol production facility

Biofuels PACE recipients are not eligible for regular PACE funds. Loan funds may not be used to refinance any existing debt or for relocation within the state. In order to qualify, the facility must be located in North Dakota.

Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program

USDA Rural Development: <https://www.rd.usda.gov/programs-services/biorefinery-renewable-chemical-and-biobased-product-manufacturing-assistance>

The Biorefinery Assistance Program assists in the development, construction, and retrofitting of new and emerging technologies for the development of Advanced Biofuels, Renewable Chemicals, and Biobased Product Manufacturing by providing loan guarantees for up to \$250 million.

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.
- 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

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

- Individual, Entity, Corporation, Farm Cooperative, Farmer Cooperative Organization, Association of Agriculture Producers, Indian Tribe, Unit of State or Local Government, National Laboratory, Institution of higher education, Rural electric cooperative, Public power entity, Consortium of any of the above entities.

Business Development Loan Program

Bank of North Dakota: <https://bnd.nd.gov/business/business-development-loan-program/>
N.D.C.C. § 6-09-15: <http://www.legis.nd.gov/cencode/t06c09.pdf?20140311152620>

The Business Development Loan Program assists new and existing businesses to obtain loans that have a higher degree of risk than would normally be acceptable to a lending institution. It may be used to start or expand a new business or for refinancing.

The business must be located in North Dakota. The financial condition or nature of the industry must lead to a higher credit risk than would normally be acceptable to a lending institution.

BND Funding Limit - Maximum BND loan participation is \$1,000,000.

Interest Rate - The lead lender's interest rate must be acceptable to BND. BND's variable rate is 0.50% below Prime, adjusted monthly or quarterly. Fixed rate is 2.25% above the Federal Home Loan Bank of Des Moines Advance Rate with a rate lock not to exceed five years.

USDA Guaranteed Loan Purchase Program

Bank of North Dakota: <https://bnd.nd.gov/business/usda-guaranteed-loan-purchase-program/>
N.D.C.C. § 6-09-15: <http://www.legis.nd.gov/cencode/t06c09.pdf?20140312115237>

The USDA (United States Department of Agriculture) Guaranteed Loan Purchase Program provides low interest rate loans to North Dakota businesses with bank financing that includes a loan guarantee from a federal government program such as the USDA Rural Development Business & Industry Loan Programs. BND can participate in a government guaranteed loan by purchasing the guaranteed portion of the promissory note. The purchase is conditioned upon the borrower receiving the benefit of the lower interest rate on the purchased portion of the note.

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

ND Department of Commerce:
<https://www.communityservices.nd.gov/communitydevelopment/Programs/CommunityDevelopmentBlockGrant/>
N.D.C.C. § 54-44.5-05: <http://www.legis.nd.gov/cencode/t54c44-5.pdf>

The Department of Commerce 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 can fund working capital. They are designed to assist primary sector and retail sector businesses looking to establish or expand in communities. Funding can be provided as a grant to a community for infrastructure to support a business. They can also be provided to the business in the form of a debt or equity.

Dakota Medical Foundation / Impact IRP

Dakota CDC: <http://www.dakotacdc.com/programs/dmfimpact-irp>

Borrowers in rural communities (population under 50,000) may benefit from a fixed-rate loan with a term of up to 15 years to finance health and safety projects. Projects may include purchase of machinery or equipment, purchase of real estate, working capital and more. In addition to small businesses, any non-profit entity, political subdivision, public body and special purpose district or authority in rural communities are also eligible.

Eligible projects: Health or safety-related projects including, but not limited to initiatives for medical clinics, veterinary clinics, dental, or vision clinics, health food stores fitness centers, ambulance or first responders, hospitals, and fire departments.

Funding Limit: Up to \$150,000

EB-5 Program

North Dakota/Minnesota EB-5 Regional Center: <http://ndmneb5.com/>

The North Dakota/Minnesota EB-5 Regional Center serves as a channel for bringing foreign investment dollars into North Dakota and Minnesota 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. EB-5 foreign investors have three goals tied to their investment: (1) to obtain permanent residency in the United States, (2) repayment of the principle investment, and (3) to receive 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.

Funding Minimums: Companies will receive no less than \$1,000,000 per EB-5 investor into their project. However, if the project is located in a Target Employment Area (TEA); then the minimum investment is reduced to \$500,000. Investments are made into the company 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 their established international partnerships and agent relationships.

Job Creation Requirements: 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.

Economic Development Administration Programs

United States Economic Development Administration: <https://www.eda.gov/funding-opportunities/>

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.

Export Enhancement Program

*Bank of North Dakota: <https://bnd.nd.gov/business/export-enhancement-program/>
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.

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.

Federally Funded On-the-Job Training Programs

Job Service North Dakota: <http://www.jobsnd.com/individuals/training>

Workforce Innovation and Opportunity Act (WIOA) and Trade Adjustment Assistance (TAA) are federally funded and have eligibility requirements targeted toward specific segments of the population (i.e., dislocated workers, low income individuals, unemployed as a result of foreign competition, etc.). Training assistance is normally provided in the form of reimbursements to the business for the 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 the 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 WIOA 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 individual's employment start date.

Flex PACE

Bank of North Dakota: <https://bnd.nd.gov/business/flex-pace-program/>
N.D.C.C. § 6-09.14: <http://www.legis.nd.gov/cencode/t06c09-14.pdf?20140313140628>

Flex PACE allows communities the ability to provide assistance to businesses that do not meet the primary sector definition of PACE. In addition to this program, specific Flex PACE options have been developed for child care facilities and affordable housing projects. No job creation is required for any Flex PACE Program options. 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 Flex 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 located in the state of North Dakota. The community in which the business is located will determine if the objectives of the business meet the needs of the community and to what extent they will provide the matching portion of the buydown funds required to access this program. A holding company may qualify if the benefits of the Flex PACE buydown flows through to the lessee.

Use of Proceeds - The proceeds of a loan may be used for the purchase of real property and equipment and certain working capital requirements.

Variable or Fixed Interest Rate - A fixed or variable interest rate may be used in the loan participation. As a result of the interest buydown, the interest rate to the borrower may be as much as 5% below the rate on the promissory note, but not less than 5% below Prime with a floor of 1%.

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 PACE Fund combines the resources of the local community and the Flex PACE Fund to buy down the interest rate on the loan. The local community matches a percentage of the BND buydown. The BND can provide an interest rate buydown of up to \$200,000.

Community percentage:

A [community percentage factor](#) has been assigned to the 200 largest communities within the state. This factor determines the amount of the PACE Fund's participation (65-85 percent) in the funding of the interest rate buydown.

Community buydown funding: The funds may come from a local development corporation, contributions, community funds or other community sources in the form of a grant or a loan. The community's portion of the buydown cannot be funded in any way, directly or indirectly, by the borrower or any individual or organization that has financial interest in the borrower.

Industrial Development Bond Program (IDB)

North Dakota Public Finance Authority: <http://www.nd.gov/pfa/industrial.html>
N.D.C.C. § 21-12 and N.D.C.C. § 40-57: <http://www.nd.gov/pfa/industrial.html>

Under its Industrial Development Bond Program (IDB), the North Dakota Public Finance Authority (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. By policy, the Authority is limited to \$2,000,000 per project and \$20,000,000 cumulative for the Program.

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 & Poor's Rating Group.

Industrial Revenue Bonds (IRB)

Local Governmental Jurisdiction or, for more info, contact North Dakota Public Finance Authority: <http://www.nd.gov/pfa/>
N.D.C.C. § 21-12 and N.D.C.C. § 40-57: <http://www.legis.nd.gov/cencode/t21c12.pdf?20140610114525>

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.

Innovate ND

ND Department of Commerce: <https://innovatend.com>

Innovate ND provides access to beneficial venture tools, online entrepreneur education, and extensive resources. If you are a North Dakota-based entrepreneur or innovator working on a new concept, you may be eligible for the program.

Innovate ND awards dollars through a voucher and grant system. Vouchers are issued in Phase I & II and grants are issued in Phase III & IV. Vouchers can be used to create your business plan, prototype development, coaching and consulting and marketing assistance to help you prepare for your business launch. Grants are used to execute your plan developed in the first two phases. If an entrepreneur is accepted into the first four phases of Innovate ND, they may qualify for up to \$32,500 of vouchers and grant dollars. Funding is limited and available on a first come first served basis.

In order to access the Innovate ND vouchers and grants, you must be working with a certified entrepreneurial center. Certified entrepreneurial centers can be found at: <https://innovatend.com/north-dakota-entrepreneurial-centers/>

Vouchers and grants may be used to advance the business or business idea. For example, vouchers and grants may be used for marketing, legal advice, prototyping, coaching and consulting, technical training, coach on calls and financial services. Proper documentation must be provided such as invoices, receipts and/or hour logs. All expenses must be approved by the entrepreneurial center beforehand. Vouchers and grants cannot be used for wages/salaries and capital assets including but not limited to office furniture, office equipment, rent/lease, and inventory. All funds are disbursed to the entrepreneurial centers and not directly to the participant.

Kiva Zip

Dakota CDC: <http://www.dakotacdc.com/programs/kiva-zip>

Kiva Zip provides small business microloans to inspiring entrepreneurs working to make a positive impact in the community. The no-interest loans are crowdfunded by hundreds of lenders around the world who lend as little as \$5 each. Many lenders become customers, vocal supporters and trusted advisors of the businesses they support on Kiva Zip.

Eligible Businesses:

- All borrowers must be endorsed by a trustee (like Dakota CDC), who can vouch for their character and business. Borrowers must be over 18 years old, have a PayPal account and not currently be in foreclosure or bankruptcy. Annual income must be less than \$100,000 with debt to income ratio of less than 35%.

Eligible Uses: Any business purpose – include working capital, inventory, and equipment.

Interest Rate: 0%

Main Street Loan Program

Dakota CDC: <http://www.dakotacdc.com/programs/main-street/>

The purpose of Dakota CDC Main Street Program is to encourage the creation, stability, and expansion of small businesses in North Dakota. The program may provide financing in participation with a local economic development entity to assist emerging businesses as well as support their job retention mission.

The program provides fixed-rate loans (\$1,000 to \$35,000) to a new or existing North Dakota based business. Funds can be used for working capital, inventory and small equipment.

MATCH Program

Bank of North Dakota: <https://bnd.nd.gov/business/match-program/>
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. BND will determine the maximum loan amount based upon funding availability and loan demand at the time of the loan application.

Borrower: A businesses that create new wealth for North Dakota and provide new jobs outside of the retail sector, especially in manufacturing, processing and value-added industries, are primary candidates. These companies shall provide evidence of considerable financial strength as demonstrated by a long-term investment grade rating. If a company does not have an adequate rating, it has three options to meet this requirement:

- Credit enhancement by a financial institution. The bank or credit union can provide a letter of credit acceptable to BND or pledge Fed Book entry securities.
- Guarantee from a federal guaranty agency or another company with an investment grade rating
- Pledge a certificate of deposit or marketable securities of a quality and level satisfactory to BND

This enhancement must provide 100 percent of BND's portion of the loan.

Use of proceeds: Loan funds may be used to finance real estate, term working capital, purchase or lease equipment.

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

Interest rate: Interest rate on BND's portion of the loan is 0.25% over the 1- to 5- year US Treasury Yield Rate with a 2% floor. 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 long-term credit rating. The interest rate may reset at 1- to 5-year re-pricing windows consistent with the loan pricing options and may be subject to a prepayment penalty satisfactory to BND.

The borrower must provide evidence each year that the company's long term rating has remained at the investment grade level. Should the rating fall below investment grade, the interest rate on the note will be adjusted to reflect the market rate for the subsequent rating.

The promissory note will require equal principal payments over the life of the loan. For example, a \$10 million note with a 10-year final maturity will require equal annual principal payments of \$1 million plus accrued interest.

North Dakota New Jobs Training Program

*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>*

This workforce training grant 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

Funds are made available through the capture of the state income tax withholding generated from permanent, full time new positions that are created. The value of those withholding collections is then transferred to the company on a quarterly basis

The state income tax withholding can be captured for up to a ten-year period.

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 business must increase its base employment level by a minimum of 1 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 agreement.

North Dakota Development Fund (NDDF)

*ND Department of Commerce: <http://www.nddevelopmentfund.com>
 N.D.C.C. § 10-30.5: <http://www.legis.nd.gov/cencode/t10c30-5.pdf>*

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

The NDDF makes investments of up to \$1,000,000 through direct loans, participation loans, and subordinated debt and equity investments. The board may adjust the limit when deemed appropriate.

Fund Uses

Real Estate
 Equipment
 Working Capital

Amortization

10-15 years, not to exceed 20 years
 5-7 years, not to exceed 10 years
 3-5 years, not to exceed 5 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 project's capitalization needs.
- Financing is available to any primary sector business project except production agriculture.

Revolving Rural Loan Fund

This fund can be used in a community of less than 8,000 in population or is located more than 5 miles outside of the city limits.

North Dakota Opportunity Fund

Lewis & Clark Regional Development Council: <http://lewisandclarkrfdc.org/programs/nd-opportunity-fund/>

The ND Opportunity Fund (NDOF) leverages private financing to help small businesses and manufacturers attain the loans and investments needed to expand and create jobs. The NDOF was established using funds awarded by the U.S. Department of Treasury through the State Small Business Credit Initiative (SSBCI) as authorized by the Small Business Jobs Act of 2010.

A consortium of 38 municipalities across North Dakota has received funding for operating the loan participation program. Any projects supported by the NDOF should create economic benefit to one or more of the communities in the consortium. The participating communities include:

Almont, Beach, Beulah, Bismarck, Bowman, Carson, Casselton, Crosby, Dickinson, Dodge, Dunn Center, Fargo, Garrison, Glen Ullin, Halliday, Hazelton, Hazen, Hebron, Hettinger, Killdeer, Lincoln, Linton, Mandan, McClusky, Minot, Mott, New England, New Salem, Regent, Sentinel Butte, Standing Rock Indian Reservation, Steele, Turtle Lake, Underwood, Watford City, West Fargo, Williston, Wilton

Eligibility Requirements

To be eligible a business must:

- Show the ability to service the debt and conduct business
- Show a commitment to the project
- Provide satisfactory payment history with other lenders/creditors
- Have a satisfactory credit history
- Offer acceptable collateral

Use of Funds

- Construction
- Equipment
- Working Capital
- Real Estate
- Interim SBA 504 Loans

Unqualified Uses of Funds

- Passive real estate
- Unguaranteed portion of SBA-Guaranteed loans
- Any payment of taxes
- Reimbursement of equity injection
- Purchase of any business ownership interest

Rates, Terms, and Limits

- The Loan Participation Program offers rates ranging from four percent (4%) to market rate. Projects that have the highest development impact or provide assistance to underserved persons, or businesses impacted by natural disaster, are eligible for the most attractive rates.
- Terms vary by asset type.
- All loans must be secured with collateral. Security arrangements are determined on a project-by-project basis.
- Loans cannot exceed \$1 million and must not exceed more than 50% of the proposed project.

PACE Program

Bank of North Dakota: <https://bnd.nd.gov/business/pace-program/>

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 must be a primary sector business as defined by [NDCC 1-01-49](#) and certified by the North Dakota Department of Commerce. A primary sector business is an individual, corporation, limited liability company, partnership or association which through the employment of knowledge or labor adds value to a product, process or service that results in the creation of new wealth. For purposes of this program, new wealth means revenues generated by a business in North Dakota through the sale of products or services to customers outside of North Dakota or customers in North Dakota if the products or services were previously unavailable or difficult to obtain from a business in the state.

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.

Variable or Fixed Interest Rate - A fixed or variable interest rate may be used in the loan participation. The interest rate is 5% below yield rate, and not less than 5% below Prime rate with a floor of 1%.

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 PACE Fund combines the resources of the local community and the PACE Fund to buy down the interest rate on the loan. The local community matches a percentage of the BND buydown amount which ranges from \$100,000 to \$500,000 based on either the business investment or the number of jobs created.

Community percentage:

A [community percentage factor](#) has been assigned to the 200 largest communities within the state. This factor determines the amount of the PACE Fund's participation (65-85 percent) in the funding of the interest rate buydown.

Community buydown funding: The funds may come from a local development corporation, contributions, community funds or other community sources in the form of a grant or a loan. The community's portion of the buydown cannot be funded in any way, directly or indirectly, by the borrower or any individual or organization that has financial interest in the borrower.

Red River Corridor Fund

<http://www.redrivercorridorfund.com/>

The Red River Corridor Fund (RRCF) Collateral Support Program is to create jobs by helping increase access to capital and enhance credit programs across North Dakota for small businesses. The RRCF was established using funds awarded by the U.S. Department of Treasury through the State Small Business Credit Initiative (SSBCI) as authorized by the Small Business Jobs Act of 2010.

The RRCF program was created by a coalition of 36 North Dakota municipalities who joined together to bring this capital resource to their communities. The participating municipalities are:

Ashley, Bottineau, Bowdon, Buxton, Carrington, Cavalier, Clifford, Cooperstown, Ellendale, Fessenden, Finley, Fredonia, Gackle, Grand Forks, Hannaford, Harvey, Hillsboro, Hope, Jamestown, Lamoure, Langdon, Lehr, Mayville, Milnor, Napoleon, New Rockford, Oakes, Reynolds, Rolla, Rugby, Sharon, Sheyenne, Valley City, Wahpeton, Washburn, Wishek

Eligibility Requirements

- The applicant business must be located within one of the 36 participating municipalities. However, if the business is located outside of the municipal boundary it can be deemed eligible if a participating municipality certifies that the loan will create economic benefit for their community.
- The business must have fewer than 750 employees.
- The borrower or relative cannot be an executive officer, director, or principal shareholder of the participating lender
- Any entity whose principals have not been convicted of a sex crime against a minor.

Use of Funds

- Business loans, working capital, equipment, construction, bridge financing and more
- Funds cannot be used for refinancing existing debt, change of ownership, owner reimbursement, delinquent taxes, passive or investment real estate, speculative activities, lending, pyramid schemes, illegal activities, gambling establishments or other uses prohibited by SSBCIU.

Funding Limits and Terms

- The RRCF can help borrowers secure bank loans by pledging cash collateral for up to 25% of the loan amount. Maximum collateral pledge of \$500,000.
- Maximum term of collateral support is five years.

SBA 504

Dakota CDC: <http://www.dakotacdc.com/programs/sba-504/>

Lake Agassiz Development Group: <http://www.lakeagassiz.com/business-lending/504-loan-program/>

Lewis & Clark Regional Development Council: <http://www.lewisandclarkcdc.org>

The goal of the SBA 504 program is to create and retain jobs through long-term financing of real estate and equipment at a fixed, below-market interest rate. Businesses often have difficulty qualifying for traditional financing due to required down payments of 20 percent or more. Loans through the 504 Program can finance 90 percent (504 loan plus third party lender loan) of a project's cost for qualifying businesses, preserving cash flow during a longer repayment term.

Loan amounts: \$50,000 - \$5 million (up to \$5.5 million in certain cases)

Down payment: Minimum 10%

Eligible projects: The SBA portion of these 504 financing packages may be used for the following fixed-asset projects:

- Real Estate acquisition, construction, renovation or expansion, including the purchase of land.
- Land and site improvements, including grading, streets, parking lots, utilities or landscaping.
- Purchase and installation of new or used machinery and equipment.
- Interest on interim financing.
- Professional fees directly attributable and essential to the project such as surveying, engineering, architectural or legal.
- Business acquisition or partner buyout of the above uses may be eligible
- Limit debt refinance may be eligible

Eligible businesses: For-profit corporations, limited liability companies, partnerships or proprietorships with net worth not more than \$15 million and average net income not exceeding \$5 million in the past two years. The project being financed must demonstrate economic impact on its community, primarily through job creation or retention or some public policy objective. Ineligible businesses include investment companies, gambling facilities and lending institutions.

Collateral and security: Mortgage on the land and building being financed; liens on machinery, equipment and fixtures; lease agreements, and personal guarantees from individuals with 20 percent or more ownership in the company (or limited guarantees from those with less than 20 percent ownership). The participating lender receives the first lien on the collateral; SBA holds the second lien.

Terms: 10 years for machinery and equipment; 20 years for real estate

Rate: Fixed rate determined at the time 504 loan is funded, 6-8 weeks after project's completion

Interim Financing: Funding of the 504 portion of the loan package usually takes place within two months after the project is completed. This means that interim financing is required, usually by the local financial institution that holds the first mortgage or lien; the participating lender advances capital as the project begins and is repaid from the proceeds of the SBA debenture.

SBA 7a Community Advantage Program

Dakota CDC: <http://www.dakotacdc.com/programs/sba-7a>

The Community Advantage program is designed to provide a financing option for small business start-ups in underserved communities. The SBA provides a 75 - 85% guarantee, providing participating lenders with more confidence in offering financing to riskier start-up businesses. Community Advantage can be used to complement other loan programs.

Eligible Uses/Projects:

- Working capital
- Equipment
- Inventory
- Real Estate – purchase, renovation, leasehold improvements
- Business acquisition
- Debt refinancing*

Interest Rate: Variable Rate with a maximum of Prime + 6%

Guarantee Parameters: Guarantees on maximum loan amount of \$250,000

- \$150,000 or Less = 85%
- Over \$150,000 - \$250,000 = 75%

SBA 7(A) Loan Program

Small Business Administration (SBA): <https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/general-small-business-loans-7a>

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.

Eligible Uses/Projects: 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.

- 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
- 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.

SBA CAPLines Program

Small Business Administration (SBA): <https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/general-small-business-loans-7a/special-types-7a-loans/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.

The Seasonal Line of Credit Program supports the buildup of inventory, accounts receivable or labor and materials above normal usage for seasonal inventory.

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.

The Working Capital Line of Credit Program is a revolving line of credit (up to \$5,000,000) that provides short-term working capital.

SBA ILP (Intermediary Lending Pilot Program)

Dakota CDC: <http://www.dakotaCDC.com/programs/sba-ilp>

These fixed-rate, 5-15-year term loans up to \$200,000 are intended for small businesses who may not be able to obtain conventional funding, or who need bridge financing for a conventional loan. ILP loans may be used for working capital, equipment and inventory or real estate. The ILP program was established to help businesses and business owners whose collateral or credit scores may have been negatively affected during the economic downturn.

Eligible Businesses:

- Special emphasis on businesses in Fargo, Grand Forks, Bismarck and Minot
- Special emphasis on businesses run by women entrepreneurs

Eligible Uses:

- Working capital
- Equipment
- Inventory
- Real Estate

Interest Rate: Fixed rate at the time the application is reviewed, depending on risk and length.

Seed Capital Investment Tax Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives/seed-capital-investment-tax-credit>

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.

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.

In order for the investment to qualify for the credit, it is required that the company receive certification from the Department of Commerce prior to receiving the investment.

Tourism Events Grant Program

ND Department of Commerce - Tourism Division: <http://www.ndtourism.com/industry/north-dakota-tourism-grants>

N.D.C.C. § 54-34.4: <http://www.legis.nd.gov/cencode/t54c34-4.pdf?20140311155619>

The Tourism Events Grant Program provides funds to support communities and event promoters wanting to regionally promote their tourism-related event.

These matching grants require the sponsor to provide \$1 for every \$1 of grant money being requested. The total amount of grant dollars awarded for this program is \$100,000 annually with individual grant amounts ranging from \$5,000 to \$24,000. Funds may be used to build or expand tourism and recreation attractions. The attraction must have the ability to attract a visitor 50 miles one-way and retain a visitor for at least three hours.

Tourism Expansion Grant Program

ND Department of Commerce - Tourism Division: <http://www.ndtourism.com/industry/north-dakota-tourism-grants>

N.D.C.C. § 54-34.4: <http://www.legis.nd.gov/cencode/t54c34-4.pdf?20140311155619>

The Tourism Expansion Grant Program supports new or expanding tourism or recreation facilities or designated development areas primarily through infrastructure projects.

Tourism Marketing Grants

ND Department of Commerce - Tourism Division: <http://www.ndtourism.com/industry/north-dakota-tourism-grants>
 N.D.C.C. § 54-34.4: <http://www.legis.nd.gov/cencode/t54c34-4.pdf?20140311155619>

The Tourism Marketing Grant Program supports individual businesses, communities and tourism marketing organizations wanting to promote North Dakota tourism-related programs or projects.

USDA Business & Industry (B&I) Loan Guarantee

United States Department of Agriculture: <https://www.rd.usda.gov/programs-services/business-industry-loan-guarantees#footnote2>

The United States Department of Agriculture (USDA) B&I Loan Guarantee Program is a loan guarantee program designed to assist credit-worthy rural businesses obtain needed credit for most any legal business purpose. The intent is to save and create jobs in rural America.

The percentage of the loan that is guaranteed varies depending upon the size of the loan:

- 80 percent guarantee of loan amounts up to and including \$5 million;
- 70 percent guarantee of loan amounts greater than \$5 million up to and including \$10 million;
- 60 percent guarantee of loan amounts greater than \$10 million.
- The 2008 Farm Bill also provides for 90 percent guarantees for high-priority projects under \$10 million; however, USDA exercises that authority infrequently.

USDA Rural Economic Development Loan and Grant (REDLG)

USDA Rural Development: <https://www.rd.usda.gov/programs-services/rural-economic-development-loan-grant-program>

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:

- Have borrowed and repaid or pre-paid an insured, direct, or guaranteed loan received under the Rural Electrification Act, or
- Be a not-for-profit utility that is eligible to receive assistance from the Rural Development Electric, or
- Telecommunication Program, or
- 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 and receive a REDLoan through USDA and sponsor the project. REDLoans typically are 10 years in duration at zero percent interest.

Value-Added Agriculture Equity Loan Program (Envest)

*Bank of North Dakota: <https://bnd.nd.gov/ag/envest/#1442955239085-f68c5587-edd6>
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

Value Added Producer Grants

USDA Rural Development: <https://www.rd.usda.gov/programs-services/value-added-producer-grants>

The Value Added Producer Grant (VAPG) program helps agricultural producers enter into value-added activities related to the processing and/or marketing of new products. The goals of this program are to generate new products, create and expand marketing opportunities, and increase producer income. Applicants may receive priority if they are a beginning farmer or rancher, a socially-disadvantaged farmer or rancher, a small or medium-sized farm or ranch structured as a family farm, a farmer or rancher cooperative, or are proposing a mid-tier value chain. Grants are awarded through a national competition. Each fiscal year, applications are requested through a notice published in the [Federal Register](#) and through an announcement posted on [Grants.gov](#).

Funding Assistance

Funds are made available through the capture of the state income tax withholding generated from permanent, full time new positions that are created. The value of those withholding collections is then transferred to the company on a quarterly basis

The state income tax withholding can be captured for up to a ten-year period.

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.

Eligibility Applicants: Independent producers, agricultural producer groups, farmer- or rancher-cooperatives, and majority-controlled producer-based business ventures.

Use of Funds: Grant and matching funds can be used for planning activities or for working capital expenses related to producing and marketing a value-added agricultural product. Examples of planning activities include conducting feasibility studies and developing business plans for processing and marketing the proposed value-added product. Examples of working capital expenses include: Processing costs, marketing and advertising expenses, and some inventory and salary expenses

Venture Capital Fund

Bank of North Dakota and North Dakota Development Fund:
http://www.business.nd.gov/development_fund/NDDFPrograms/VentureCapitalLoanProgram/
 N.D.C.C. § 6-09-15: <http://www.legis.nd.gov/cencode/t06c09.pdf?20140313154121>

The Venture Capital Fund 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. The goal of the Venture Capital Fund is to stimulate private sector investment and promote diversification of the economy by supporting a variety of pre-revenue; mid-stage and late stage startup companies. This fund offers a variety of financing options in the form of traditional or convertible debt and equity investment. The structure of the investment is negotiated on a case-by-case basis.

BND's Venture Capital Fund is managed by the North Dakota Development Fund, a division of the North Dakota Department of Commerce.

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. BND will also invest

in growth and later stage manufacturing, service and businesses with profitable growth potential.

Eligibility: The company must be a business located or doing business in the state of North Dakota. The business must be innovative, have a unique market aspect or customer base, be scalable and have the potential to return a significant benefit to the state of North Dakota.

Use of Proceeds: Proceeds may be used to fund the working capital, equipment or real property needs of a North Dakota business.

Loan Limit: The funding limit is generally no greater than \$300,000 per business. In certain instances, higher investment levels or follow-on investment will be considered.

TAX INCENTIVES

Agricultural Commodity Processing Facility Investment Tax Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/sales-tax-exemptions>

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 produced at a biofuels production facility.

An investment may consist of a direct cash payment, a transfer of a fee, simple interest in North Dakota real property, 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 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. In the case of a passthrough 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.

Agricultural Processing Plant Construction Materials Sales Tax Exemption

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/sales-tax-exemptions>

N.D.C.C. § 57-39.2-04.4: <http://www.legis.nd.gov/cencode/t57c39-2.pdf?20140319133041>

Gross receipts from sales of tangible personal property used to construct an agricultural commodity processing facility in this state are exempt from taxes under this chapter. To be exempt, the tangible personal property must be incorporated in the structure of the facility or used in the construction process to the point of having no residual economic value.

To receive the exemption at the time of purchase, the owner of the facility must receive from the 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.

Automation Tax Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives>

N.D.C.C. §§ 57-38-01.33: <http://www.legis.nd.gov/cencode/t57c38.pdf?20140319133426>

Note: This credit will sunset and no long be available after the 2017 calendar year.

An individual, estate, trust, partnership, corporation, or limited liability company is allowed an income tax credit for purchasing machinery and equipment for the purpose of automating a manufacturing process in North Dakota. A purchase includes qualifying machinery and equipment acquired through a capital lease agreement. The credit is equal to 20% of the cost of the machinery and equipment approved by the Department of Commerce Division of Economic Development and Finance (ED&F). In the case of a capital lease, the cost is the fair market value of the machinery or equipment at the inception of the lease. The business must be certified by ED&F as a primary sector business to be eligible for the credit. An unused credit may be carried forward up to five tax years. In the case of a passthrough 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. The total credits allowed for all qualifying purchases by all taxpayers is limited to \$500,000 per calendar year for the 2016 and 2017 calendar years. If the total credits allowed for a calendar year are less than the annual limit for that year, the amount of the unclaimed credits are rolled over to the following calendar year, which increases the maximum amount of credits available for the following calendar year.

Computer and Telecommunications Equipment Sales Tax Exemption

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/sales-tax-exemptions>

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.

Income Tax Exemption

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives>
N.D.C.C. § 40-57.1: <http://www.legis.nd.gov/cencode/t40c57-1.pdf?20140319154303>

A primary sector may qualify for a 100% income tax exemption for up to five years. "Primary sector" refers to *"an individual, corporation, limited liability company, partnership, or association certified by the department of commerce division of economic development and finance which through the employment of knowledge or labor adds value to a product, process, or service which results in the creation of new wealth."*

Eligibility is limited to a new business or to an existing business that expands its operations in North Dakota.

A business is not eligible for the exemption if:

- the business received a property tax exemption under tax increment financing,
- there is an outstanding recorded lien for delinquent property, income, sales or use taxes against the business, or
- the exemption fosters unfair competition or endangers existing business.

An application for the exemption must be made to the State Board of Equalization within twelve months either before or after the date the project is completed. The State Board of Equalization reviews applications and approves or denies based upon the qualification and the merit of each individual applicant.

Internship Employment Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives>
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 the intern. This credit is allowed for up to five interns employed at the same time. An employer is allowed no more than \$3,000 of credits for all tax years.

An intern must be enrolled in a college or vocational technical education program majoring in a field related to the work to be performed, and must be supervised and evaluated by the employer. The internship must qualify for academic credit. In the case of a passthrough entity, such as a partnership or S corporation, the credit is passed through to its owners in proportion to their ownership interests.

Manufacturing, Agricultural, or Recycling Equipment Sales Tax Exemption

N.D. Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/sales-tax-exemptions>
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.

Property Tax Exemption or Payment In Lieu of Property Taxes

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/property-tax-exemption>
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 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.

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 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.

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.

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.

Renaissance Zones

North Dakota Division of Community Services:

<http://www.communityservices.nd.gov/communitydevelopment/Programs/RenaissanceZoneProgram/>
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 state and local tax exemptions and credits for 5 years.

For a list of communities with a renaissance zone, you can go to:

<https://www.communityservices.nd.gov/uploads/27/contactlisthandout.pdf>

Research Expense Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives/research-expense-credit>

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. There is no application process for earning the credit.

"Qualified research expenses" and "base amount" have the same meaning as defined under federal income tax law (I.R.C. § 41). The applicable credit is 25% for the first \$100,000 of excess expenses in a tax year. The applicable percentage for excess expenses over \$100,000 in a year is 8%. 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 passthrough 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 then 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.

Work Opportunity Tax Credit

Job Service North Dakota: <http://www.jobsnd.com/wotc>
<https://www.doleta.gov/business/incentives/opptax>

WOTC is a federal income tax credit incentive provided to private sector employers. An employer may be eligible for WOTC when they hire from certain target groups of job seekers who face employment barriers. The WOTC tax credit is a one-time tax credit for each new hire – and there is no limit to the number of new hires who can qualify an employer for a tax credit. The requirements for this program are set by the Internal Revenue Service and the U.S. Department of Labor, Employment and Training Administration. For an overview of the program, read the Work Opportunity Tax Credit Brochure.

https://www.doleta.gov/business/incentives/opptax/PDF/employers_wotc_program_brochure_5_24_12.pdf

Employers can earn a tax credit of between \$1,200 and \$9,600 per employee, depending on the target group of the new employee and the number of hours worked in the first year. Employees must work at least 120 hours in the first year of employment to receive the tax credit. Visit

<https://www.doleta.gov/business/incentives/opptax/eligible.cfm> for WOTC target groups.

Workforce Recruitment Credit

North Dakota Tax Department: <http://www.nd.gov/tax/user/businesses/exemptionsrefundscredits---businesses/income-tax-incentives/workforce-recruitment-credit>
N.D.C.C. § 57-38-01.2(1), 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.