

Vermont Economic Progress Council

Vermont Employment Growth Incentive Overview

Initial and Final Applications

After a company files a Pre-Application and Vermont Economic Progress Council (VEPC) staff provides an incentive estimate, the formal approval of Vermont Employment Growth Incentive (VEGI) incentives can occur in two phases: Initial and Final. Both are formal applications requiring approval by VEPC.

It is very important to note that an Initial Application is not the same as a Pre-Application. Pre-Applications are informal and do not involve Council approval. Projections are estimates and do not require project details to be fully developed. A Pre-Application provides a way for potential applicants to get a ballpark estimate of possible incentives.

A formal Initial or Final VEGI application is different from a Pre-Application in several ways:

- There is a deadline to file the application.
- The application is more detailed and includes several narrative requirements.
- The application has to be considered by VEPC to be approved and the applicant must attend the board meeting.
- The Vermont Economic Progress Council must find that the application and project meet several mandatory approval criteria.

If an Initial Application is filed, considered, and approved, an initial incentive amount is approved based on Initial Application data provided by the company. This will allow companies the ability to meet the "But For" when they are at a point of project development that might not include definitive employment, payroll and investment data.

If the Initial Application is given Initial Approval, the applicant must subsequently file a Final Application before the end of the calendar year in which the project commences and get Final Approval and authorization of the VEGI incentive. The applicant sets the annual performance requirements, which must be met and maintained to earn and be paid the incentive, in their Final Application. An applicant may also file a Final Application without filing an Initial Application.

When a Final Application is approved and incentives authorized by VEPC, the levels of new qualifying payroll, new qualifying employment, and new, qualifying capital investment listed by the applicant on the Final Application set the annual performance requirements that must be met to actually earn the authorized incentive. Therefore, it is extremely important that the employment, payroll, and capital investment projections included in the Final Application be as accurate as possible.

This two-phase approval process can be very helpful for projects that require a determination on the "But For" before the company can proceed with certain decisions, such as start-ups or plant restarts, or expansions into, or relocations to Vermont. Once an Initial Application is filed and a determination

is made that the applicant and project meet the “But For,” the company can proceed with due diligence, make decisions, finalize investment and employment decisions, and then file a Final VEGI Application before the end of the calendar year in which the project commences. The data in the Final Application sets the New Qualifying Payroll, New Qualifying Employment, and New Qualifying Capital Investment performance requirements that must be met to earn the incentive.

It is anticipated that the project data will change as the application process proceeds from Pre-Application to Initial to Final, 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 Initial Application step is recommended under certain circumstances, it is optional. The only required applications are a Pre-Application and Final Application. Final Application may be filed without ever filing an 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.

Example: Typical VEGI Application

Project expected to start June 1, 2026

Date (Example)	Action	Timing
February 1, 2026	File a Pre-Application	Well before project commencement date and business decision
February 15, 2026	Receive Pre-Application Estimate	N/A
April 3, 2026	File an Initial Application	Must be filed and considered by VEPC before the project commencement date and before a decision to proceed with the project is made by the applicant
April 30, 2026	Consideration of Initial Application by VEPC Board (applicant must attend)	N/A
October 2, 2026	File Final Application	After project commences, and must be before the end of the calendar year in which the project commences
October 29, 2026	Consideration of Final Application by VEPC Board	N/A

Mandatory Authorization Criteria

To approve VEGI incentives, the Vermont Economic Progress Council must find for each application and project, that:

- The total estimated incremental tax revenues from all sources generated to the State by the proposed economic activity exceeds the revenue costs of the activity to the State, including the

cost of the incentive;

- The host municipality welcomes the new business;
- The company and the proposed economic activity conforms to applicable town and regional plans and applicable State laws and regulations;
- The business is not a named party to an administrative order, consent decree, or judicial order issued by the State or a subdivision of the State, or if a named party, that the business is in compliance with the terms of such an order or decree
- If the business proposes to expand within a limited local market, an incentive would not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market; and
- But for the incentive, the proposed economic activity:
 - Would not occur; or
 - Would occur in a significantly different manner that is significantly less desirable to the State.

Cost-Benefit Modeling:

- **The revenue costs and revenue benefits to the state must be determined:** Statute requires that the Council determine the fiscal benefits and costs to the state of the proposed economic activity. To determine the fiscal benefits and costs, an economic input-output model is used to determine the economic impacts of the proposed economic activity, including the multiplier and indirect impacts of the proposed activity. The model then calculates the annual revenue benefits and the revenue costs based on the overall economic impact. The difference between the total revenue benefits and the total revenue costs, after accounting for the present value, is the net revenue (fiscal) benefit or cost to the state.
- **Background growth cannot be included in the approved incentive:** The purpose of this program is to provide an incentive for economic activity that would not occur except for the incentive and for activity which is above and beyond activity that would normally occur or would occur anyway. The “But For” criterion ensures the former. Accounting for “background” or “organic” growth ensures the latter. Even economic activity that is occurring because of an incentive includes some activity that might occur as the natural business growth of a company. One purpose of the cost-benefit model is to measure and account for the background growth and exclude it from the incentive calculation.
- **How does the cost-benefit model work?** To perform this evaluation, the Vermont Economic Progress Council utilizes a cost-benefit model that was developed by a Vermont economist in conjunction with the General Assembly’s Joint Fiscal Office. The model was approved by the Joint Fiscal Committee and, in accordance with statute, any changes or updates to the model are submitted to the Joint Fiscal Committee of the General Assembly for approval.

The cost-benefit model includes three key components:

1. The cost-benefit evaluation begins with a thorough review of a completed VEGI application. The analysis considers applicant-specific information such as location of the project, project development schedule, the business’ industrial category or sector, and the projected incremental expenditures associated with the project, including investments in plant and equipment, incremental payroll and employment levels. The output from these input calculations essentially translates the applicant’s projected incremental activity associated with the incentives into data variables that are meaningful to the economic Input-Output component of the model.
2. The economic input-output component of the cost-benefit model is used to calculate the total economic and demographic changes associated with the applicant’s projected

project. In its most elemental form, this component calculates and reports the total changes in economic activity that the project can be expected to produce if the applicant completes its proposed project as planned. These calculated and reported changes in economic activity include: total employment; change in total personal income; change in total population; change in total population by age; and change in total personal consumption. These data are then used for calculations in the third component of the model.

3. The third component of the model involves estimating the impact on total state costs - as measured in foregone state tax revenues and increased public expenditures - and comparing them to the expected increase in all state tax revenues flowing from the additional economic activity anticipated from the proposed project's implementation. Future benefits and costs are then discounted to "present value" as of the year of application. Total costs over the impact assessment period are expressed as a net total for the year in which the incentive application is reviewed. The present value revenue benefits less the present value revenue costs produce the net revenue benefit to the state, which is the starting point for the VEGI incentive calculation.

Several economic modeling software exist that could be used for the second component of the VEGI cost-benefit model, the economic input-output component. The software that is currently utilized was developed by Regional Economic Modeling, Inc. (REMI) of Amherst, Massachusetts. That is why people erroneously refer to the VEGI cost-benefit model as the "REMI" model. Although the REMI software is utilized for part of the model, it is not the whole model.

Local Support and Plan Conformance/Compliance With State Laws and Regulations

VEPC must find that the host municipality welcomes the new business and that the proposed economic activity conforms to applicable town and regional plans. Applicants must upload to their VEGI application letters obtained from the Regional Development Corporation, Regional Planning Commission, and the host municipality. The letters must indicate local and regional support for the company and project (or lack thereof) and include information on the company's history of compliance with local, regional, and state ordinances, zoning, permitting and other regulations and comment on the potential project's conformance with local and regional plans and compliance with local, regional, and state ordinances, zoning, permitting and other regulations. The applicant company must also certify that the business is not a named party to an administrative order, consent decree, or judicial order issued by the State or a subdivision of the State, or if a named party, that the business is in compliance with the terms of such an order or decree.

Limited Local Market

If the applicant business proposes to expand (or locate) within a limited, local market, the VEGI incentive cannot give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited, local market. A "limited, local market" means that the product or service offered by the applicant is sold within an area smaller than the State of Vermont, such as a county, region, and there is another business in the same or similar line of business with the same market. Such businesses also usually draw customers from only within Vermont, are not circulating dollars into the Vermont economy from outside of the State, and also draw employees from similar businesses in the community or region. Examples include (but are not limited to) doctor's offices, car dealerships, physical therapy offices, restaurants, grocery stores, etc.

Applicants must include information on their market segment, their competitors within and outside Vermont, and any expected impact of the project and authorization of incentives on other similar Vermont companies.

But For

- **Why is this part of the program?** Because there are no taxpayer dollars appropriated for these incentives. The cost-benefit modeling that is required by statute is conducted with the assumption that the economic activity for which an incentive is sought will be all or partially incremental to the state's economy. With an affirmative "But For" determination, the state is giving back to the company, as the incentive payment, a portion of the new tax revenues generated by that company which the state never would have received. Therefore, there is theoretically no cost to the taxpayers. Without a true "But For," the state is giving up that which it would have gained anyway, which represents a cost to the taxpayers. Vermont has limited economic development resources. Including a "But For" gatekeeper provision ensures that the program is acting as a true incentive for economic activity that would not have occurred and does not reward economic activity that would take place normally or without an incentive.
- **How is this finding determined?** The Council will consider all evidence, including the "But For" statement and all supporting documentation, provided by the applicant and information obtained by staff during the application process. Two company officers must certify the application, including the "But For" statement. Additionally, one of the officers of the company (the Authorizing Official or Senior Authorizing Official) that certified the application must attend the Council meeting at which the application will be considered, present the project to the Council, and respond to questions posed by Council members. Only the Council members, not staff, can make the "But For" determination. It is the responsibility of the applicant to present a clear "But For" case and support it with documentation and evidence. How this criterion is addressed differs for each applicant and depends on the company, the project and the situation. A company could be making a "grow, no grow" decision that is dependent on receiving an economic incentive. The company could be making a location decision where several states are vying for the location or expansion. The incentive could be a key factor, making an impact of significance, on the scope or timing of a project. Or, the incentive could make a difference regarding whether or not a project occurs because of a financial significance to the company.
- **What are the application requirements?** VEGI applicants must provide a "But For" statement as part of the application. Two company officers, authorized to act on behalf of the company, are required to act as Authorizing Official and Senior Authorizing Official to certify, sign, and submit the application.

The "But For" statement included by the applicant in a VEGI application must include narrative detail supporting the specific "But For" argument being made by the applicant sufficient for the Council to make a "But For" determination. For example:

- If the "But For" is a "yes" or "no" go decision, who is making that decision and what factors are being considered?
- If the "But For" is based on a location decision, who is making that decision and what factors are being considered?
- If the "But For" is about a significantly different and less desirable outcome (scope, scale, timing, financial viability), provide details about how the project would be significantly different and less desirable, from the State's perspective (i.e. fewer jobs, less new payroll, reduced new tax revenues).

Any “But For” statement regarding a “significantly different and less desirable” outcome must include data in the application showing the different and desired outcome because of the incentive (more jobs, more jobs created sooner, better job) and address the following:

- How is it significantly different and less desirable than what would occur without the incentive?
- What is the significance of the difference and desirability? What is the level of significance?

To supplement the “But For” statement, applicants must submit supporting documentation and/or information, as appropriate, to substantiate their “But For,” such as:

- Information regarding incentives offered by other locales and copies of any specific incentive offers. Include names and contact information for any out-of-state officials contacted.
- Data (spreadsheets) documenting significantly different/significantly less desirable outcomes without the incentive.
- Any press releases, media statements, news reports, regarding the project contained in the application.
- Copies of any signed or proposed lease or Purchase and Sale agreements.
- Financial statements.
- Business plans.
- Equity/Financing plans.
- Market information.

Also, the following questions must be addressed by all applicants as part of the “But For” application form:

- Have you placed ads for the new jobs? Where?
- Will you need any permits? Have you applied for permits for this project? Have any been approved?
- Will you purchase, build or lease? Have you negotiated or signed any purchase and sales or lease agreements?
- Have you made any payments or obligations to architects, engineers, or designers for sites in Vermont or elsewhere?
- Are you negotiating with any economic development officials in (fill in alternate location)? Who are they and what are they offering for incentives?
- Are any permits in place or applied for in Vermont or in (alternate location)? What type, date?
- How will the project be financed? Are any elements of the financing plan in place? Equity investors? Bank financing?
- Will the project receive or has it received any public funds or financing (VEDA, USDA/RD, CDBG, USEDA)?
- Is there a business plan for this project?

Any supplemental information must be submitted with the application by uploading it as an attachment to the “But For” application form.

A company official (one of the application signatories) is required to attend the VEPC meeting at which the application will be considered. The applicant will have the opportunity to briefly outline the company, project and application and VEPC Board members will ask the applicant

questions about the application, including questions pertinent to the “But For.”

Due to the presentation of proprietary business information by the applicant, as required by statute, the Council will meet with the applicant and deliberate in executive (closed) session. However, a vote on the application will take place in public (open) session during the meeting at which the application is considered. A majority of votes (6) acting in the same manner are required to take any action. If the Council finds that they do not have all the information required to make a determination, the application can be tabled. The Council will consider all application information and all application criteria together to make an approval or denial decision.

Cost-Benefit Modeling

How will the cost-benefit modeling be conducted?

The following program principles and rules will be followed in the cost-benefit model procedure:

1. "Net fiscal benefit" means the excess of the present value benefit to the state over the present value cost to the state as calculated by the cost-benefit model.
2. The model process, including the acquisition of relevant data and data entry, will be operated in a uniform manner for each application using a comprehensive methodology to assess and measure the projected annual fiscal costs and benefits and the net present value of the fiscal benefit or cost to the state.
3. The model process will utilize only data provided by the applicant business on the forms provided by VEPC for this purpose. The applicant may not substitute alternate forms or data presentations and data will not be accepted from other sources or be filled in by VEPC staff.
4. The model process will utilize up to five consecutive calendar years of economic activity that will occur because of the incentive to calculate an incentive to be earned for up to five consecutive calendar years. An applicant may project incremental activity for a minimum of one year and a maximum of five years. Regardless of the number of years of incremental growth indicated by an applicant, the modeling will measure the impact of the activity over five years.
5. Year 0 (Zero) shall be the base year and is the year prior to the calendar year in which the economic activity for which an incentive is sought will commence. If the application is filed in Year 0, the model will include only the activity that will occur during the five consecutive calendar years beginning on the Activity Commencement Date in the calendar year following Year 0. Any economic activity that occurs between the date of application and the Activity Commencement Date will not be included in the model. If the application is filed during the calendar year in which the economic activity for which an incentive is sought will commence, that will be considered Year 1 and the previous calendar year will be considered the base year, “Year 0.” No economic activity that occurs prior to the Activity Commencement Date entered on the application will be included in the model.
6. Job and business retention are not part of the VEGI incentive program design and purpose. All projects will be treated the same under the cost-benefit model with incentive calculations based only on incremental economic activity; that is, only activity that will occur because of the incentive sought, and activity that has been adjusted to account for background growth.
7. The first year of economic activity of start-up applicants and applicants being recruited to Vermont will be considered incremental. Base employment and payroll will be considered to be “0” (zero). However, the qualifying payroll for the first year and subsequent years will be adjusted for background growth based on the first year full-time payroll.
8. An application that represents a plant closing scenario will be considered the same as a start-

- up. An application will be considered under a “plant closing scenario” only if:
 - a. The facility, plant, or business operation that is the subject of the application has ceased operations prior to the date of application and terminated all employment and the applicant business will restart the plant or business, and the applicant business entity is in no way related to the entity that operated the plant prior to closing; or
 - b. The facility, plant, or business operation that is the subject of the application will cease to operate and terminate employment, and the applicant business will restart the plant or business, and the applicant business entity is in no way related to the entity that currently operates the plant or business.
 - c. The applicant entity must submit a letter from the entity that currently operates the plant stating, unequivocally, that unless the applicant business purchases or otherwise acquires the business, it will cease to operate.
9. The model process will include the consideration of the effect of the passage of time, inflation, and estimated adjustments to taxation and other factors in the calculation of the value of the annual benefits and costs of the economic activity modeled.
10. The model will utilize a rate of adjustment to calculate the present value of the net of the benefit stream and the cost stream as of the date of application. The rate will be 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 authorization value for projects occurring in economically underperforming regions of the state. For purposes of the Regional Differential Adjustment, there are three regions. 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 to determine the regions (including population, unemployment, employment, the change in total household employment, manufacturing employment, agricultural employment, and personal income) are reviewed and updated if economic conditions require.
11. The model will calculate the costs and benefits, both direct and indirect, generated by the applicant’s project utilizing the dollar value of the capital investments represented in the application and will assume that all capital investments included in the model will occur because of the authorization of the incentive sought, as follows:
 - a. The costs and benefits generated by the investment will depend on the type of investment being made and the actual fiscal impact of that type of investment, including the percentage of the investment that will occur within Vermont.
 - b. A regional coefficient determined by historical data of industry averages is used to model the percentage of the capital investments that will actually occur within Vermont and impact Vermont revenues. If the applicant provides evidence that higher than industry average expenditures will occur in-state, then the percentage provided by the applicant will be used to override the model’s regional coefficient.
 - c. Although all capital investments that will occur because of the incentive must be included on the application forms, only capital investments that have an economic impact will be included in the model and only these investments will result in a capital investment performance requirement being set for the year the investment is made. For modeling purposes, the capital investments that have an economic impact include: new construction, renovations or fit-up of owned, acquired or leased facilities, and the percentage of any new machinery and equipment purchased in Vermont (including installation costs). For the purposes of the cost-benefit model, the types of capital

investments that do not have an economic impact include: land purchases, the acquisition of existing plants and facilities and machinery and equipment already existing within Vermont, the purchase of used machinery and equipment from within Vermont, and any land, plants and facilities, and machinery and equipment that are leased or rented.

12. The model will calculate the costs and benefits, both direct and indirect, generated by the applicant's project utilizing only the number of new qualifying jobs added each year and the increases in payroll for the qualifying jobs and will assume the qualifying jobs and payroll included in the application will be added because of the authorization of the incentive sought. In addition, the model will account for the level of background growth in qualifying payroll that would occur anyway and the incentive will be based on the new qualifying payroll, less background growth.
13. The background growth rates will be determined according to the following rules:
 - a. The rate schedule will be determined annually using a statewide, 15-year average rate of change, by NAICS sector, at the 2- and 3- digit level. The historic 15-year annual average rate of change will include the last complete business cycle.
 - b. The rate for each applicant will be determined using the North American Industrial Classification System (NAICS) code for the economic activity planned to occur in Vermont because of the incentive, at the 3-digit level, if available, as follows:
 - i. If at the 3-digit level for the applicant's sector, the historical growth rate is not greater than 1.5 times the historical growth rate for all private industries, then the background growth rate will be the historical growth rate for the applicant's sector at the 3-digit level.
 - ii. If at the 3-digit level, the historical growth rate for the applicant's sector is greater than 1.5 times the historical growth rate for the all private industries, then the background growth rate will be the greater of the appropriate 2-digit NAICS code for the applicant's industry or the historical growth rate for the applicant's industry, not to exceed 1.5 times the private sector average.
 - iii. If the historical data for the appropriate 3-digit NAICS code is not available, then the appropriate 2-digit NAICS code will be selected.
 - c. For existing Vermont businesses, the background growth rate is applied to the base year payroll, which consists of all full-time, non-owner Medicare wages and salaries in Year 0 (qualifying and non-qualifying), and is compounded over the five year incentive period. For businesses starting up in Vermont (including both new businesses and businesses new to Vermont), background growth is calculated utilizing the full-time payroll for Year 1 in the following formula: (Year 1 qualifying payroll) times (Year 1 qualifying payroll minus the applicable background growth rate). The result becomes the Year 0 or "base year" payroll and the background growth rate is applied to the base year payroll and compounded over the five year incentive period.
14. If an applicant had a reduction in the number of qualifying jobs during the 24 months prior to the date of application, only the new qualifying jobs that exceed the average full-time employment of the previous two years will be considered in the cost-benefit model. This look back requirement may be waived upon application to the Council and a determination by the Council that the business will establish a significantly different, new line of business and create new jobs in the new line of business that were not part of the enterprise prior to application.

How does the Cost-Benefit Model result impact the VEGI incentive calculation?

The cost-benefit model produces a theoretical amount of net tax revenues that will be created by the project and accrue to the State of Vermont over five years. This number is the starting point to the

VEGI incentive calculation. The more qualifying jobs and payroll and capital investments involved in the project, the higher the net revenue benefit to the state and the higher the incentive.

Can I get an estimated level of incentives without filing a complete application?

Yes. After discussing a project with VEPC staff, potential applicants must file a VEGI Pre-Application, which is an abbreviated version of the full application. This is an informal process that provides an incentive estimate. It is not, however, an approval for any incentives.

Job Categories

Vermont statute (32 VSA §3331) defines the type of employee whose payroll is eligible to be counted toward the VEGI incentive calculation. While the new payroll generated by all new job creation will count toward the overall economic impact of a project, only the payroll generated by “New Qualifying Employee” jobs will count toward the annual incentive calculation.

Applicants must segregate the projected headcount and payroll to be created during the project years into several employment categories. Do not use any definition other than those provided below to segregate jobs and the associated payroll into categories for the VEGI application.

Read all the definitions to properly segregate the jobs and payroll according to these definitions:

- Qualifying
- Non-Qualifying
- Part-time/Seasonal
- Owner-employee
- Other

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 (position can be filled by an existing employee 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 county in which the project will occur) for the year in which the project starts; 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 mandatory 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.

Non-Qualifying Job

Non-qualifying refers to the payroll for such as job. Non-qualifying jobs are included in the application so that the economic impact of these new jobs can be calculated, but the payroll associated with Non-qualifying jobs will not be included in the incentive calculation. Qualifying and Non-qualifying are both full-time job categories, but the wage level of the job, or eligibility for benefits, separates qualifying from non-qualifying. Qualifying jobs are paid an annual average wage that is above the VEGI Wage Threshold for the region in which the project is located and are eligible for three or more of the benefits listed above. Non-qualifying jobs are paid an annual average wage that is at or below the VEGI Wage Threshold and/or is not eligible for at least three of the benefits listed above. A “non-qualifying job” is defined as:

- Part-time (works at less than 35 hours per week);
- Not Permanent (seasonal, temporary, contract, or temp agency);
- 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 the subject of the VEGI application at an annual average rate that is at or below 140% or 160% of the Vermont Minimum Wage (depending on the county in which the project will occur) in the year the project starts; and/or
- Will be eligible for fewer than 3 of the employer provided benefits listed above.

Part-time/Seasonal

A part-time job is defined as paid a Medicare wage or salary as reported on Federal Tax Form W2 for employment in Vermont by the company that is applying for VEGI incentives, but working 34 hours or less per week.

A seasonal job is defined as paid a Medicare wage or salary as reported on Federal Tax Form W2 for employment in Vermont by the company that is applying for VEGI incentives, but is hired with the expectation that the job will not provide work for a majority of the year.

Owner-Employee

An owner-employee is defined as:

- An owner paid a Medicare wage or salary that is reported on Federal Tax Form W2 for employment in Vermont by the company that is applying for VEGI incentives; and
- Has more than 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 applying for
- VEGI incentives, include them in the Qualifying or Non-Qualifying category, as appropriate according to their wage or salary level.

Other

Jobs included in the other category are not included anywhere in the VEGI application. These include:

- Owners who do not receive Medicare wages or salaries. For example, owners who receive shares or stock or other compensation only.
- Full-time employees that do not work in Vermont and are not paid a Vermont wages or salary. That is, the company does not withhold and submit Vermont withholding on behalf of the employee. For example, sales personnel stationed in another state or country.
- Temporary employees
- Agency employees
- Contract employees or any other type of employees who are not directly employed by the applicant company.

Qualifying Job and Wage Threshold

For a new job to be considered "qualifying" under the VEGI program and therefore for the new payroll generated by that new job to be counted in the incentive calculation, the new job must meet the definition of "qualifying," which is defined in Vermont statute (VSA 32 §3331(9)) as:

- New: The job is new in Vermont, not moved from another Vermont operation or replacing recently vacated or terminated positions (NOTE: If position is filled by an existing employee, it can be counted as new and incremental only if existing employee's previous position is backfilled);
- Full-time: Will work 35 or more hours each week;
- Permanent: Will not be seasonal, temporary, contract, or agency;
- Non-owner: Will have less than a 10% ownership interest in the applicant company;
- Vermont Employee: Will work in Vermont and applicant company will pay W-2 wages and withhold and remit payroll taxes to the State of Vermont on behalf of the employee (residence outside Vermont does not disqualify an employee);
- Earning above the VEGI Wage Threshold for the year in which the project starts (see details below).
- Receiving Employer-Supported Benefits: 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 mandatory paid sick leave: 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.

VEGI Wage Threshold

The VEGI Wage Threshold that applies to a project is either 160% or 140% of the Vermont Minimum Wage for the year in which the project commences, depending on the County in which the project will occur. However, the Wage Threshold in effect for the year a project commences is the effective Wage Threshold for the duration of an approved project. For example, a project commencing in 2025 in a county eligible for the 140% threshold has a VEGI Wage Threshold of \$19.62/hour. That threshold applies to the new jobs created in 2025 and any subsequent year approved for incentives (up to five years).

Why is this part of the program? When the VEGI program was enacted, the Vermont General Assembly included a minimum wage threshold for the jobs that would be eligible for the incentive calculation

Calculation and utilization of annual wage threshold:

1. Annual calculation of minimum Wage Threshold:
 - a. The Council will recalculate the VEGI Wage Threshold annually following the publication of the Vermont Minimum Wage (January) and annual average unemployment rates (April) by the Department of Labor. The VEGI Wage Threshold remains in effect for all Final Applications considered during each calendar year.
 - b. The Council will use the following formula, based on the announced Vermont Minimum Wage, to determine the annual VEGI Wage Threshold for applications considered each calendar year: (Vermont minimum wage) times (160% or 140%), rounded to the nearest

cent. For example: For 2025, the official Vermont minimum wage was \$14.01/hour. Therefore, $\$14.01 \times 160\% = \$22.42/\text{hour}$.

2. Determination of wage threshold for each applicant: The Council may, in accordance with 32 V.S.A. §3331(12), determine a wage threshold that is greater than the minimum wage threshold for each applicant. However, the minimum VEGI Wage Threshold applies to all applicants.
3. Impact of wage threshold on an approved application: The wage threshold determined for the applicant (or the minimum wage threshold if a greater wage threshold is not determined by the Council) that is in effect on the date that a Final Application is approved, and therefore, incentives are authorized, is the wage threshold for all new jobs created during all years of that application's authorization period. The wage threshold does not escalate each year of the authorization period even if the Vermont minimum wage goes up.
4. Determining if a potential job meets the Wage Threshold at the time of application for VEGI: A particular job and the projected payroll for that job meets the VEGI Wage Threshold and can therefore be included on the application as a "qualifying job" only if the annualized Vermont gross wages for that job divided by the number of hours to be worked per year is greater than the minimum VEGI Wage Threshold in place for the application year or the Wage Threshold determined by the Council, whichever is greater. If the new employee will not earn an hourly wage that is greater than the VEGI Wage Threshold when hired, depending on when the person was hired during that year, the job may still be eligible as a "qualifying" job if the annualized Vermont gross wage to be earned for the year, divided by the number of hours to be worked, is greater than the Wage Threshold. The employee must also be eligible for employer supported benefits as outlined above.

For example, an applicant proposes a project starting in 2025 in a county with a Wage Threshold of \$19.61. An employee will be hired in January 2024 at \$19.50/hour for the first 26 weeks of the year and earn \$20.00/hour for the second 26 weeks the year. The total annualized wages for this employee are \$41,080. Divided by 2080 (40 hours per week for 52 weeks) is \$19.75/hour, which is greater the 2025 Wage Threshold of \$19.61 for the county. Even though the starting wage is below the VEGI Wage Threshold, this employee qualifies.

If the employee will be hired in 2025 at \$19.00/hour and will stay at that wage for 40 weeks and then will earn \$19.61 per hour for the remaining 12 weeks, that is \$39,812 for the year or an average of \$19.14 an hour, which would not qualify.

If the applicant company's Activity Commencement Date is July 1, 2025, the new employee could not be hired until after July 1, 2025. The actual wages paid for 6 months, divided by the hours to be worked must be greater than the Wage Threshold. For example, the new employee would be hired at \$19.61/hour and work 40 hours per week for the remainder of the year. The expected actual wages earned by this employee for 2025 would be \$20,394.40 (26 weeks x 40 hours x \$19.61) and the employee is qualifying.

If the employee will be hired on July 1, 2025 at \$19.00/hour for a 16-week training period and then will earn \$19.61/hour for the remaining 10 weeks of the calendar year, the total wages paid will be \$20,004, which would not qualify ($\$20,004/1040 = \$19.23/\text{hour}$).

For salaried employees, the minimum wage threshold is calculated as follows: (Wage threshold) times (40 hours) times (52 weeks), rounded to the nearest dollar. Therefore, based on the 2025 Vermont Minimum Wage, the minimum salary would be: \$40,789 for projects in

counties at the 140% rate and \$46,634 for projects in counties at the 160% rate. If a salaried employee works less than 40 hours per week, the annual salary divided by the number of hours worked per year must be greater than hourly rate for the year and county.

5. Determining if the payroll for an actual new job created will qualify at the time of filing a VEGI Claim: If a company is authorized by VEPC to earn VEGI incentives, they are required to file a claim each year with the Vermont Department of Taxes to claim the incentive. The claim includes submittal of an Excel Workbook detailing employment and payroll, including pay and hours worked. The Department of Taxes will utilize this data to determine if a new job is actually new (incremental) and if the individual job meets the Wage Threshold qualification. They will use the same methodology as outlined above (basically total pay divided by hours worked) to determine eligibility. If the average wage for a new full-time job is at or below the VEGI Wage Threshold in effect for the year in which the company's Final VEGI Application was approved, the job is considered Non-qualifying and the job and payroll will not count toward the Qualifying payroll and Qualifying Job performance requirement for that year. If it is above the VEGI Wage Threshold, the payroll will be eligible. The Claimant will also self-certify that each new qualifying employee is eligible for three of the eight qualifying benefits

Determining Your “Activity Commencement Date”

The “Activity Commencement Date,” is a very important piece of application data. It 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, you are stating that the economic activity - new jobs, new payroll, and capital investments - which will occur because of the VEGI incentive will occur only after this date.

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.
- If an Final Application is made in place of the Initial Application, the date must be after the meeting at which the Final Application is expected to be considered by VEPC.

The order of events, including the Initial Application, must be:

- File a VEGI Pre-Application to get an incentive estimate (No due date- file anytime)
- Receive the Pre-Application Estimate (Within 2-3 weeks of filing complete Pre-Application)
- File a formal Initial VEGI Application (By first Friday of the month)
- Initial VEGI Application considered by VEPC (Last 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)

In the case where the Initial Application was filed, the Activity Commencement Date stays the same

for an Initial and Final Application, unless the applicant requests and is granted an extension of the Activity Commencement Date by VEPC. If you are filing a Final Application without filing an Initial Application, the Activity Commencement Date must be after the date that the Final Application is expected to be considered by VEPC. Activity that occurs prior to the Activity Commencement Date cannot be considered for incentives. Any activity that will occur because of the incentives must occur after the Activity Commencement Date.

On your application, data entry for Year 1 is divided into two columns: The first for activity (employment payroll, and capex) from January 1 to the day before your Activity Commencement Date during Year 1; and the second for activity from your Activity Commencement Date through December 31 of Year 1. If your Activity Commencement Date is January 1, enter zeros in the first column and enter all data in the second column, which is January 1 through December 31 of Year 1.

Examples

1. Your application will be filed and considered in October 2026 and the project for which incentives are sought will begin January 1, 2027. “Year 0” is 2026. The “Activity Commencement Date” is January 1, 2026 and all data on the form for “Year 1- Prior to Activity Commencement Date” would be “0” (Zeroes). All data for January 1, 2026 through December 31, 2026 would be included in Year 1.
2. Your application will be filed and considered in April 2027 and the project for which incentives are sought will begin July 1, 2027. “Year 0” is 2026. The “Activity Commencement Date” is July 1, 2026 and the data in “Data Part 1 – Prior to Activity Commencement Date” would consist of your activity from January 1, 2027 through June 30, 2027. The data for Year 1 that will be considered for the incentive would consist only of activity from July 1, 2027 through December 31, 2027.

Annual Performance Requirements

The VEGI program is performance-based. No incentive is paid to the company at the time 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 activity levels submitted in a Final Application. Then an annual VEGI claim must be filed indicating that the annual performance requirements have been met. If the performance requirements are met, the annual incentive is earned and will be paid out in five annual installments if the performance requirements are maintained. Incentive payments are not pro-rated for partially meeting performance requirements.

Definition Of “Meeting Performance Requirements”

If a 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 (as of the Activity Commencement Date as reported by the applicant) is maintained; 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.

Further Performance Requirement Stipulations

- No incentive is earned unless performance requirements, as defined above, are met in full each year. There is no prorated payment based on partially met performance requirements.
- Performance requirements are defined by the applicant company in their Final Application and

are absolute. Performance requirements will not be deemed to have been met even if missed by only the smallest of margins (e.g. missing a Jobs Target by 1 job or missing a Payroll Target by \$1.) Applicants are advised to take this into account when completing their Final Applications.

- Performance requirements cannot be adjusted after a Final Application is approved.

Cumulative Capital Investment Requirement

In addition to the annual performance requirements that must be met to earn the incentive, statute also requires a reconciliation when the claim is filed for the last year with performance requirements to determine if all capital investments were made during the Authorization Period and the total capital investment performance requirement was met. As you can see from the information above, incentives can be earned each year by meeting payroll and employment performance requirements only each year. But the tax revenues generated by the projected capital investments have a substantial impact on the incentive percentage authorized for the company. Therefore, statute requires that if the total of all annual Qualifying Capital Investment Performance Requirements are not met by the end of the project, there must be an adjustment to reduce the remaining incentives to be earned and/or incentive installments remaining to be paid by the same percentage as the capital investment shortfall. For example, if the company projects a total of \$3,000,000 in capital investments over a five-year authorization period, but by the end of the authorization period has only made \$2,500,000 in capital investments, which is a 16.67% reduction in capital investments, the total incentives to be paid out will be reduced by 16.67% by either reducing the final incentive earned or reducing the remaining incentive installments.

What Ifs?

- What if the company fails to meet Performance Requirements?
 - Statute allows a company to miss performance requirements but still earn the incentive, but no incentive is earned until the requirements for the target year are met. This allows for delays such as an inability to find qualified employees or permitting. For Year 1 through Year 3, the company has a grace period of 24 months from the annual Performance Requirement deadline (December 31 of each year) to meet the Performance Requirements and still earn the incentive. For Year 4, the grace period is 12 months. Year 5 has no grace period.

Incentive claims are filed annually by the last day in April. If a company does not meet the Performance Requirements, the claim will be placed in "Claim Delay. If Performance Requirements are met sometime within the grace period, the incentive would be earned when the next claim is filed. If by the end of any grace period the Performance Requirements are not met, the incentive for the target year can never be earned and any remaining incentives are terminated. Incentive installments would continue to be paid for any incentive that had previously been earned as long as the Performance Requirements for those years are maintained.

- What if the company exceeds Performance Requirements?
 - If a company exceeds performance requirements in any given year, the incentive is calculated using the performance requirement for that year and any excess is counted toward the performance requirements for the next year.
- Is there any further relief if performance requirements are not met by the end of the grace period?

- Yes. In 2015, the Vermont General Assembly gave VEPC the discretion to review the circumstances for a delay in meeting only Year 1 and Year 2 performance requirements and extending the grace period under certain circumstances, as follows:
 - If a company has not met performance requirements, when the claim is examined Tax will notify VEPC and the claim will be placed in “Claim Delay.”
 - VEPC staff will remind the company of the potential to extend the grace period.
 - If the company reaches the end of the first 24 month period and has not yet reached the performance requirements staff will again remind the company of the extension potential and that they are responsible for making the determination that the performance requirements will not be met by the end of the grace period.
 - If a company determines that they may not reach performance requirements for either Year 1 or Year 2 during the 24 month grace period, the business must:
 - Notify VEPC, in writing (including email), and include:
 - Statement that the company has determined that it may not reach the performance requirements for the target year before the end of the grace period due to circumstances beyond its control;
 - Information on the circumstances causing the company to fall short of performance requirements and why those circumstances were beyond the control of the company;
 - Information and data comparing the performance requirements for the target year with current new qualifying employment, payroll, and capital investments.
 - Information indicating how and when the gap between the performance requirements and current status will be closed.
 - The notification must be filed during the second year of the grace period for the target year, but no later than the application due date for the last VEPC meeting for the target year (usually mid-November with the Council meeting occurring in mid-December).
 - VEPC staff will review the request and:
 - Consult with Tax Department staff regarding maintaining employment and payroll base and status of employment, payroll, and capital investment compared to performance requirements for the target year;
 - Determine if consideration of the request is warranted based on:
 - Circumstances for the causing the delay, which must show that the circumstances were beyond the company’s control;
 - The gap between performance requirements and actual employment, payroll and capital investment, which must be possible to close during the extension period;
 - Likelihood the company can meet performance requirements by the end of the extension period.
 - Invite a company representative to attend the next VEPC meeting.
 - Summarize the request and supporting data and make a recommendation to the Council.
 - The Council will, at the next scheduled VEPC meeting:
 - Examine the data, facts and circumstances;
 - Hear from a company representative during the VEPC meeting;
 - Determine if the business failed to meet its targets due to facts or circumstances beyond the control of the business and that there is a reasonable likelihood the business will meet the award period targets

within the extension period.

- If the extension granted is during the third year of Target Year 1, the extension will be through the end of the fourth year of Target Year 1.
- A VEGI claim must still be filed by April 30 of the fourth year for activity that occurred during the third year.
- If the performance requirements are met during the fourth year of Target Year 1, as determined by an examination by the Tax Department of a claim filed by April 30 of the fifth year, VEPC will recalculate the value of the incentive using the cost-benefit model and the actual activity on the timeline that it occurred and notify the Tax Department of the adjusted incentive amount.
- If during the fourth year of Target Year 1 the company determines that the performance requirements for Target Year 1 will not be met by the end of the extension period, the company must notify VEPC during the fourth year using the same process in place for the original notification and the same review and consideration process will be followed.
- If a second extension is granted during the fourth year of Target Year 1, the extension will be through the end of the fifth year of Target Year 1.
- If the performance requirements are met during the fifth year of Target Year 1, as determined by an examination by the Tax Department of a claim filed by April 30 of the sixth year, VEPC will recalculate the value of the incentive using the cost-benefit model and the actual activity on the timeline that it occurred and notify the Tax Department of the adjusted incentive amount.
- If the performance requirements are not met by the end of the fifth year of target Year 1, no incentives are earned for target Year 1 and no incentives can be earned for any subsequent authorization years.
- If Year 1 performance requirements are met on time, but the company determines that they may not reach performance requirements for Target Year 2 during the 24-month grace period, the business must follow the same procedures indicated above with the exception that only one twelve-month extension may be granted.

Background Growth Calculation

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” approval criterion ensures the former, the incentive calculation, 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 VEGI applications be treated uniformly, so background growth is calculated for all applications.

A background growth rate schedule is calculated annually using a statewide, 15-year average rate of change, by North American Industrial Classification System (NAICS) sector, at the 2- and 3- digit level. The rate schedule is published each January on the VEGI website and the rates are utilized by VEPC throughout the calendar year to calculate background growth for VEGI applications. The rate for each applicant is determined using the NAICS code for the economic activity the applicant intends to undertake in Vermont.

These sector-based background growth rates are applied against the company’s base full-time

payroll to calculate the net level of new, qualifying payroll that will be used to calculate the incentive for each year. For example:

- Year 1 (2017): Company has a Year 0 (2016) full-time payroll of \$500,000 and the background growth rate for the company sector is 4%. If the company will create \$200,000 in new qualifying payroll in Year 1 (2017), the amount of new qualifying payroll that is eligible to be used to calculate the incentive for Year 1 (2017) is \$180,000. [$500,000 \times 4\% = 20,000$; $200,000 - 20,000 = 180,000$].
- Year 2 (2018): The same calculation would occur for each year the company creates new qualifying payroll, using the new level of full-time payroll going forward. Using the same example, the Year 2 (2018) background growth would be based on the Year 1 full-time payroll of \$700,000. If the company would create \$300,000 in new qualifying payroll in Year 2, the calculation would be: $700,000 \times 4\% = 28,000$; $300,000 - 28,000 = 272,000$.

4% Background Growth Rate	Year 0	Year 1	Year 2	Year 3
Base Payroll	\$500,000	\$700,000	\$1,000,000	\$1,300,000
New Qualifying Payroll	N/A	\$200,000	\$300,000	\$350,000
Background Growth	N/A	\$20,000	\$28,000	\$52,000
Eligible New Qualifying Payroll	N/A	\$180,000	\$272,000	\$298,000

If the applicant is certified as eligible for the “Green VEGI” incentive enhancement, one of the ways that enhancement is implemented is that the background growth is calculated at 20% of the normal background growth. If the example above were certified as eligible for Green VEGI, the background growth and the eligible new, qualifying payroll would be

4% Background Growth Rate	Year 0	Year 1	Year 2	Year 3
Base Payroll	\$500,000	\$700,000	\$1,000,000	\$1,300,000
New Qualifying Payroll	N/A	\$200,000	\$300,000	\$350,000
Background Growth	N/A	\$4,000	\$5,600	\$10,400
Eligible New Qualifying Payroll	N/A	\$196,000	\$294,000	\$339,600

Enhancement for Environmental Technology Companies/Projects

In 2008, the Vermont legislature passed an enhancement to the Vermont Employment Growth Incentive (VEGI) program to emphasize the policy goal of “green economy” job creation in Vermont.

If an existing Vermont company or a new company will add new jobs in research, development, design, engineering or manufacturing of certain environmental technologies or provide certain environmental services, they may be eligible for an increased level of VEGI incentive. The company must also be able meet the normal VEGI approval requirements.

To be eligible for the enhancement, the Vermont Secretary of Commerce must certify that the activity to be incented will be primarily in research, design, engineering, development, or manufacturing related to any one or more of the following:

- Waste management, including waste collection, treatment, disposal, reduction, recycling, and remediation.
- Natural resource protection and management including water and wastewater purification and treatment, air pollution control and prevention or remediation, soil and groundwater protection or remediation, and hazardous waste control or remediation.
- Energy efficiency or conservation.

- Clean energy, including solar, wind, wave, hydro, geothermal, hydrogen, fuel cells, waste-to-energy, or biomass.

If an applicant believes their company and/or project meets these eligibility criteria, the applicant can provide this information on a VEGI Pre-Application and staff will provide a normal incentive estimate and an estimate using the calculation adjustments allowed by the Green VEGI enhancement.

If the applicant then decides to submit a formal Initial or Final VEGI Application, the applicant must indicate the eligible activity met by the project and upload information supporting the applicant's claim of eligibility on the "Potential Incentive Enhancement" form at Line 2. VEPC staff will request that the Secretary of Commerce certify or deny certification of the application as Green VEGI-eligible. Only applications certified as eligible by the Secretary of Commerce will be considered by VEPC for the Green VEGI enhancement.

If certified as eligible, the VEGI incentive calculation will use a 90% Incentive Ratio (instead of the normal 80%) and the background growth will be calculated at 20% of the normal background growth amounts. These changes result in an enhanced incentive that averages 40% higher than the normal incentive amount. Results will vary depending on the application data.

Note that the Green VEGI eligibility is based on very specific criteria that have to do with the applicant's economic activity and job creation. The enhancement is not based on whether the applicant operates the business using green practices, is utilizing green energy management, or installing energy efficient equipment. These activities are highly encouraged and may be eligible for other incentives offered by Vermont and the federal government. Also, such improvements and capital investments can be included in the capital investments considered in a VEGI application, but they are not the basis for this incentive enhancement.

LMA Incentive Enhancement

When considering VEGI applications, the VEPC Board has the discretion to increase an incentive amount if a project will occur in an economically distressed region of the state. The eligible regions are determined annually by the Vermont Department of Labor using unemployment and wage data by Labor Market Area.

Utilization of the enhancement is capped for each calendar year (total aggregated amount of incentive increase due to the enhancement for all application in a calendar year). Also, for each dollar the incentive is increased under the enhancement, the estimated net revenue return to the State of Vermont is decreased by roughly a dollar. Therefore, the Council utilizes the enhancement prudently, employing it for projects that will result in extraordinary and/or increased benefits to the State that are in addition to the job creation and incremental revenue generated by the project.

In addition to the statutory geographic limitation, the VEPC Board has established a set of criteria which will be considered, in addition to a justification offered by the applicant for the incentive increase, to determine if the enhancement should be utilized and at what level the enhancement can be approved.

Statutory Citation: 32 VSA §3334:

ENHANCED INCENTIVE FOR A BUSINESS IN A QUALIFYING LABOR MARKET AREA

- (a) The Council may increase the value of an incentive for a business that is located in a labor market area in which:

- (1) the average annual unemployment rate is greater than the average annual unemployment rate for the State; or
- (2) the average annual wage is less than the average annual wage for the State.
- (b) In each calendar year, the amount by which the Council may increase the value of all incentives pursuant to this section is:
 - (1) \$1,500,000.00 for one or more initial approvals; and
 - (2) \$1,000,000.00 for one or more final approvals.
- (c) The Council may increase the cap imposed in subdivision (b)(2) of this section by not more than \$500,000.00 upon application by the Governor to, and approval of, the Joint Fiscal Committee.
- (d) In evaluating the Governor's request, the Committee shall consider the economic and fiscal condition of the State, including recent revenue forecasts and budget projections.
- (e) The Council shall provide the Committee with testimony, documentation, company-specific data, and any other information the Committee requests to demonstrate that increasing the cap will create an opportunity for return on investment to the State.

Statutory Geographic Limitation:

Utilization of this authority is statutorily restricted to projects that will occur in labor market areas (LMAs) that are determined by the Vermont Department of Labor to have greater-than-state-average unemployment or below-state-average annual wages. Each year, the Department of Labor analyzes the unemployment and wage data for the previous calendar year and provides a report to VEPC regarding the LMAs that are eligible or not. VEPC staff will inform VEGI applicants if the project location qualifies the project for the potential enhancement and when the applicant completes a Pre-Application, the location entered in the application will indicate to the applicant whether the location is eligible. When VEGI Pre-Application estimates are provided, the incentive will be shown as normally calculated and the potential additional incentive that may be eligible under this enhancement. However, the enhancement is not automatically authorized. It must be approved by the VEPC Board during consideration of a formal Initial VEGI Application.

Administrative Limitation Due to Cap:

In addition to the statutory geographic limitation on the use of this authority, because the total enhancement allowed has an annual cap, the VEPC Board will only consider utilizing this enhancement for situations where circumstances warrant such use. Eligible applicants will be required to request the enhancement, provide justification for the increased incentive as part of their But For statement, and provide additional information that the VEPC Board will use to determine whether the circumstances warrant approval of the enhancement. The additional criteria the VEPC Board will consider include:

- Will the project result in extraordinary and/or increased benefits to the State that are in addition to the job creation and incremental revenue generated by the project?
- Will the project result in the reopening or avoid imminent closure of a business?
- Does the project involve a critical business operation upon which a community relies for employment or tax revenue?
- Will the project likely be a catalyst for business attraction and growth, or provide economic diversity to a region dependent on a single economic driver?
- Can the projects demonstrate substantial in-state business-to-business interactivity?
- Does the project plan to utilize an existing facility that is currently underutilized or is not being utilized?
- Has the applicant provided compelling evidence that the increased incentive is essential or critical to advancing the project in Vermont?

Process:

- Prior to consideration of an Initial Application (or Final Application if no Initial Application is filed), VEPC staff will advise applicants of the following:
 - Whether the project is eligible for the enhancement due to the proposed geographic location of the project;
 - What the potential increase in the incentive and decrease in the net revenue benefit to the state would be if the enhancement is considered;
 - What criteria the VEPC Board will review beyond the geographic location due to the cap on this enhancement; and
 - What additional information is required of the applicant to submit with their application and to present at the VEPC Board meeting.
- The cost-benefit modeling for any project that is proposed for an eligible geographic region will include a calculation showing the maximum incentive increase and the resulting decrease to the net fiscal benefit to the state, if the LMA Enhancement were to be utilized.
- The applicant will be required to supplement their application with information sufficient for the Board to determine if the LMA Enhancement is justified and the additional and/or extraordinary benefit the project will bring to the State.
- For any geographically eligible application, VEPC staff will include in the staff write-up to the VEPC Board, information and data quantifying the criteria that the Council will consider, a summary of the normal and enhanced incentive amount and net fiscal impact, a summary of the utilization to date of the enhancement against the annual cap, a summary of the applicant's justification for the enhancement, and a recommendation on whether, why and to what extent, the authority should be utilized.
- At the VEPC Board meeting at which the application is considered, the applicant will be required to provide a verbal justification of the enhancement.
- The VEPC Board will first vote on approval or denial of the basic incentive, and then, if approved, vote on utilization of the LMA Enhancement, and at what level.
- The potential increase in incentive amount under the LMA Enhancement would be in addition to the Green VEGI enhancement provided by 32 VSA §3335, if the applicant is also eligible for that enhancement.
- The amount of incentive that will be counted against the cap on LMA Enhancement approvals is the difference between the normal incentive calculation and the total incentive calculated using the LMA Enhancement authority.
- The aggregate of all LMA Enhanced approvals may not exceed \$1,000,000 in any calendar year, unless the cap is increased

Look Back Requirement and Potential Waiver

VEGI statute prohibits the approval of incentives for job creation that restores full-time positions that were shed by an applicant company within the two calendar years prior to application for incentives. This "look back" requirement can be waived by the Council under certain circumstances.

Statutory Citation

32 V.S.A. § 3331(9)(E): When the position is added to base employment, the business's total employment exceeds its average annual employment during the two preceding years, unless the Council determines that the business is establishing a significantly different, new line of business and creating new jobs in the new line of business that were not part of the business prior to filing its application.

Look Back Requirement

If a VEGI applicant's employment data shows that the company decreased full-time employment (combination of qualifying and non-qualifying jobs) in Vermont during the two calendar 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 of the two calendar years prior to the application year. For example, a company applying in May 2027 had 66 full-time employees in Vermont at end of 2025 and 56 at end of 2026 and is at 54 at time of application. The formula is: Average of $66 + 56 = 61 - 54 = 7$. Therefore, 7 jobs must be added before any incentive is calculated. If the company projected adding 10 new, qualifying jobs in Vermont during 2027, only the payroll for the last three new, qualifying jobs would be used in the incentive calculation. The payroll (calculated using an average wage based on the company payroll) for the first seven new, qualifying jobs will be included as "background growth" and not count toward the incentive calculation.

Look Back Waiver

Statute enables the Council to waive the look back if the Council can determine that the company will establish a significantly different, new line of business in Vermont and create new jobs in the new line of business that were not part of the enterprise in Vermont prior to filing its VEGI application with the Council.

If an applicant wants the Council to consider waiving the look back, the waiver must be requested by the applicant, the application must include additional information regarding the waiver criteria, and the Council must determine:

- Will the company establish a significantly different, new line of business in Vermont?
- Will the project create new jobs in this new line of business in Vermont?
- Are the jobs different from the jobs that existed in Vermont prior to application?

Procedure

- If a VEGI Pre-Application is filed that shows a drop in full-time employment in Vermont during the two calendar years prior to application year, VEPC staff will inform the applicant of the "look back" requirement. The applicant must indicate that the company is seeking a look back waiver in the Potential Enhancements form of the VEGI Pre-Application. The Pre-Application estimate will be run two ways: accounting for the look back and with the look back ignored.
- The Pre-Application estimate will be provided to the applicant with the look back included. Staff will also inform the applicant that the waiver is available, explain the circumstances under which the waiver can be granted, indicate the incentive estimate if the look back were waived, and explain the information that would be required to be filed with a formal application for a waiver to be considered. Staff will also discuss with the applicant and the appropriate Regional Development Corporation director, the potential for a look back waiver based on information known about the applicant and project.
- When a formal application is filed, if the applicant wants the Council to consider the look back waiver, the applicant must request consideration of the waiver by checking the appropriate radio button on Line 1 of the "Potential Incentive Enhancement" form, and completing the required additional information in the "Look Back Waiver Information" form. The following narrative information must be included even if the applicant believes the issue is addressed elsewhere in the application:
 - Describe the current line(s) of business?
 - Describe what the company currently does?

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- Describe what products are currently made/services provided by the Vermont operation?
- Which markets are served and to what extent?
- What is the new line of business?
- How is it different from current line of business?
- Why is the difference significant?
- What new market or market segment would be served?
- What are the new job categories that will be created?
- VEPC staff will summarize the information in the staff write-up to VEPC , include the incentive levels with and without the waiver, and include a waiver recommendation to VEPC.
- The Council will make the waiver determination at the monthly meeting when the Initial Application is considered and a motion to approve the incentive would include the waiver determination.