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EXECUTIVE SUMMARY

PREMISE:

Eide Bailly was contacted by the North Dakota Department of Commerce in the fall of 2002 for an independent review of their state's competitive ranking relative to the tax costs of a manufacturing project. The Department of Commerce believed that North Dakota had strategically created a competitive edge in tax incentives, but had no objective evidence to support their theory.

FINDINGS:

Our analysis has found North Dakota to be the most advantageous location for a manufacturing facility in the eleven-state tax comparison.

SCOPE:

Eide Bailly was asked to complete a tax analysis for a hypothetical project to evaluate the ten-year tax costs for eleven communities selected by the Department of Commerce. Taxes are limited to a review of property taxes, workers' compensation insurance, state and local sales tax, unemployment insurance and corporate income tax. Where appropriate and determinable, applicable tax incentives were included in the analysis. Information was gathered through primary and secondary research to include phone interviews with appropriate officials.

Ten-Year Tax Analysis: Manufacturing Facility

Rank	Location	Present Value Total (6%)
1	Bismarck, North Dakota	\$ 1,087,396
2	Richmond, Virginia	\$ 1,347,010
3	Great Falls, Montana	\$ 1,489,371
4	Sioux Falls, South Dakota	\$ 1,576,498
5	San Jose, California	\$ 1,723,559
6	Eau Claire, Wisconsin	\$ 1,897,323
7	Greeley, Colorado	\$ 1,900,658
8	Des Moines, Iowa	\$ 1,961,192
9	Omaha, Nebraska	\$ 2,227,273
10	Chicago, Illinois	\$ 2,386,071
11	Edina, Minnesota	\$ 2,797,497

TIME & RESEARCH OF STUDY:

The research for this report was conducted during the month of December 2002, and all information is effective as of December 31, 2002. The raw data was obtained from a variety of sources, including private information bureaus, various Internet web sites, and materials and information provided by various state agencies. The Department of Commerce provided the working parameters for the subject business.

Summary of Totals

Rank	Location	Real Estate Tax	Rank	Unemployment Insurance	Rank	Sales and Use Tax	Rank	Corporate Income Tax	Rank	Workers' Compensation Insurance	Rank
1	Bismarck, ND	\$ 736,850	2	\$ 168,491	7	\$ 178,200	6	\$ 187,622	2	\$ 310,289	1
2	Richmond, VA	\$ 543,649	1	\$ 106,470	2	\$ 133,600	3	\$ 278,002	7	\$ 786,703	6
3	Great Falls, MT	\$ 761,473	3	\$ 224,814	11	--	1	\$ 324,580	8	\$ 822,474	7
4	Sioux Falls, SD	\$ 1,063,472	5	\$ 70,314	1	\$ 328,200	11	--	1	\$ 732,020	5
5	San Jose, CA	\$ 974,787	4	\$ 163,065	6	\$ 245,025	9	\$ 379,590	10	\$ 589,712	2
6	Eau Claire, WI	\$ 1,192,067	6	\$ 162,605	5	\$ 163,350	4	\$ 366,036	9	\$ 719,354	4
7	Greeley, CO	\$ 1,479,035	9	\$ 113,408	3	\$ 175,230	5	\$ 222,638	4	\$ 611,418	3
8	Des Moines, IA	\$ 1,302,499	7	\$ 191,532	9	\$ 178,200	6	\$ 200,621	3	\$ 837,251	8
9	Omaha, NE	\$ 1,468,194	8	\$ 129,203	4	--	1	\$ 231,312	5	\$ 1,326,320	11
10	Chicago, IL	\$ 1,608,495	10	\$ 187,242	8	\$ 267,300	10	\$ 271,109	6	\$ 915,332	9
11	Edina, MN	\$ 1,986,117	11	\$ 202,707	10	\$ 193,050	8	\$ 428,312	11	\$ 1,046,365	10

North Dakota Highlights

Real Estate Tax: North Dakota's five-year 100% abatement for a new or expanding manufacturing facility had a huge impact on the state's overall standing. Several of the communities offer abatement programs, but none to the extent of North Dakota.

Unemployment Insurance: The overall impact of unemployment insurance to the cost of doing business in any state is rather limited, and the overall cost difference among the eleven states is relatively small when measured in actual dollars.

Sales and Use Tax: All of the states, except South Dakota, abate sales and use taxes for machinery and equipment.

Corporate Income Tax: North Dakota's five-year income tax abatement for manufacturing expansions has a significant impact in lowering its ranking in this area.

Workers' Compensation Insurance: North Dakota was ranked #1 in this category, with only 53% of the cost of the next closest community and only 23% of the highest cost community.

EIDE BAILLY LLP

Tim Moore, CPA

MANUFACTURING BUSINESS PARAMETERS

- The company designs, manufactures and markets electric fence systems, and analytical instruments used in the medical industry.
- The business will build a 66,000 square foot facility on 10 acres of land at a total cost of \$4,950,000.
- The company will open its facility with approximately \$2 million of manufacturing equipment. In year three, the business will expand its operations and add \$500,000 of new equipment.
- The gross sales for the facility are projected to be \$5 million in the first year and grow at an annual rate of 15%, thereafter.
- Net income for the site is projected to be \$240,000 in year one and grow at an annual rate of 15% thereafter.
- In the first year, employment for the business is projected to be 4 management positions with an average salary of \$45,000 per year, 7 technical and clerical positions with an average of \$45,000 per year, and 31 non-salaried positions with an average of \$15.00 per hour. The second year's employment is projected at 4 management positions with an average salary of \$50,000 per year, 8 technical and clerical positions with an average of \$50,000 per year, and 34 non-salaried positions with an average of \$15.00 per hour. The third year's employment is projected at 4 management positions with an average salary of \$50,000 per year, 9 technical and clerical positions with an average of \$50,000 per year, and 38 non-salaried positions with an average of \$17.00 per hour. Thereafter, the number of employees and their respective salaries will increase at a rate of 10% per year.