

MANUFACTURING *in Lehman's Terms*

Incentives 101: 2020 Automation Tax Credit Status

With the worst of the pandemic seemingly behind us, it seems many manufacturers are ramping up their operations again. We are hearing a lot of talk again of supply chain and workforce challenges. While not a great situation, it certainly beats the alternative. As 2020 was a slow year for most, it provided a great opportunity for manufacturers who were able to take advantage of the slow time to further automate their operations. Some of those manufacturers that did, tapped into the Automation Tax Credit program to help lessen their tax burden.



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The [Automation Tax Credit program](#) provides up to a tax credit of up to 20 percent to cover the cost of equipment leased or purchased for the intent of automating a manual process. With the legislature setting aside \$1,000,000 per year for the program, if there are less than \$5,000,000 worth of approved requests across the state within a particular year, applicants will get the full 20 percent tax credit. If demand is higher than that, the amount will be prorated. For example, if \$10,000,000 of automation equipment is approved for the year, then the applicant will receive a 10 percent tax credit.

For the 2020 tax season, all applications have been reviewed and letters to approved applicants will be going out shortly. There was a total of 18 approved requests amounting to roughly \$7,660,000. As such, approved applicants will receive about 65 percent of the maximum allowable credit or approximately 13 percent of the cost of the approved automation equipment. Several applications had to be rejected for various reasons while going through the review process, so I wanted to cover this a bit.

If you are considering an automation project this year and are planning to apply for the Automation Tax Credit, please consider the following:

- Applicant must be Primary Sector certified at the time they take title to the equipment AND when they apply. The Primary Sector Certification form can be found here: <https://www.business.nd.gov/forms/IncentiveCertificationForms/>.
- You must take title to the equipment within the calendar year you are applying for, so if a project straddles two calendar years, you will need to submit two applications.
- The deadline is Jan. 31 of the following year, so for any equipment you acquire this year, the deadline for applications will be Jan. 31, 2022.
- You must be automating a manual process; equipment replacements don't qualify.
- Please reach out prior to doing your project!

The last point, I can't stress enough. If you are looking at doing an automation project/expansion and are planning to tap into the various incentives available, please reach out to myself or your local economic developer to ensure you are going through the proper steps. There have been a lot of manufacturers planning to utilize the Automation Tax Credit (and other programs) only to find out later they didn't qualify for one reason or another. In many cases, this could have been addressed had they reached out prior to the project.

For additional information regarding this or other incentives applicable to your manufacturing operation, please feel free to reach out and I will point you in the right direction. Also, if you are considering an expansion or relocating to North Dakota, I would be happy to work with you to make that a reality!

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