DEO Legacy Model Assumptions

The following assumptions are used in the economic development project application model to determine the economic impacts of the proposed project.

1. All output generated by new project jobs is either exported or displaces current imports.
2. All output generated by retained project jobs would result in lost exports and/or be replaced by imports if the jobs left the state.
3. Sales and Use Tax collections generated from direct output of the proposed project will be insignificant because the sales will either be exports, which are not subject to the tax, or displace existing imports, which are currently subject to the tax; thus, there will be little change in the collections.
4. Sales and Use Tax collections generated from secondary or indirect and induced sales are new activity and will generate additional collections. For retained project jobs, the opposite would be true if project jobs were not retained.
5. The effective tax rate for Sales and Use Tax collections is based upon Fiscal Year 2011/2012 collections over 2011 output for all industries within the state.
6. Corporate Income Tax (CIT) collections directly generated by the proposed project (provided that the applicant is subject to the CIT) will be calculated by applying the tax rate to the industry average profits per dollar of output.
7. Corporate Income Tax collections indirectly generated by the proposed project will be calculated by applying an effective tax rate to the total secondary output (value added) generated by the project – regardless of whether the applicant itself is subject to CIT.
8. The Capital Investment Tax Credit (CITC) estimate is based upon the estimated direct CIT generated by the project.
9. The 10-year project ROI calculation begins with the first year of activity. The activity may be project capital expenditures, project job creation or the disbursement of state funds, either directly to the vendor or to an escrow account for the project.
10. The subjective probability percentages for business success have been removed from the current Legacy Model. Objective probability percentages may be reintroduced at a later date.
11. The percentage of construction expenditures that are materials is calculated using the 2011 U.S. Bureau of Economic Analysis (BEA) National Use Table.
12. Capital Investment to be purchased out-of-state is explicitly entered on the form.
13. The Legacy Model is designed to estimate the ROI of an individual project, not the ROI for an entire program.
14. The primary North American Industry Classification System (NAICS) code for the project will determine the multipliers to be used for the project.
15. The deflation factors previously used to convert future year dollars and jobs to current year are now only used to calculate the number of jobs attributable to the output resulting from the project.

16. The Present Value Factor used to convert future dollars to current dollars is now based upon the 10 Year Maturity Treasury Bond Rate (2.07%) from the February 2013 National Economic Estimating Conference (NEEC).