

**Negotiating Financial Incentives in the United States**  
**A Primer for Chinese Companies Considering Investing in America**

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Many Chinese companies considering locating a new facility in the United States do not realize that they may be eligible for significant financial incentives from state and local governments, if they approach the process carefully and with knowledgeable advisors.

There are over 5,000 state, local and regional economic development organizations in the United States. Each of these organizations offers, on average, 15 separate programs which may be available to Chinese companies considering investing in the United States. This means that there are over 75,000 opportunities to obtain financial benefits in the United States, if you know where to look and who to talk to.

Unlike China, government is highly decentralized in the United States. Cities that are literally across the street from each other can offer significantly different incentives. In addition, there are special state and federal development zones that do not necessarily follow city or regional boundaries. It is important that your advisors know which zones may apply to your company and where those zones are.

For example, property taxes in the United States can range from 0 to over 4 percent of assessed value, depending on where you locate your facility. These taxes often apply to real estate investment, equipment, furnishings, and inventory. One company who sought our assistance did not know this until they got a demand for over \$300,000 USD for property taxes. Our evaluation of the situation showed that, had the company located *within ½ kilometer* in a different county, these taxes would have been eligible for 100 % abatement and the property tax bill would have been \$0. Since property taxes are charged every year, the cost to this company for not investigating the situation adequately prior to signing a ten-year lease, was \$3,000,000 USD.

In another situation, a Japanese automobile company decided to build a \$20,000,000 training center in Texas. The company purchased the property and then asked The RSH Group to investigate federal and state development zones, in or near the area that they were planning to build. Our review showed that, by simply locating *across the street* the company would become eligible to participate in a special federal program which would save the company 30 percent of the cost of the building, or \$6,000,000 USD.

Studies have shown that many companies in the United States fail to take full advantage of the \$50 billion in state and local incentives that are available each year. Only a small percentage are well equipped to evaluate, negotiate and manage the compliance requirements necessary to take full advantage of these financial benefits.

Before you or your company begins the process of looking for a site for corporate facilities in the United States, it is important that you engage the services of a qualified specialist in incentives negotiations and compliance. Their services are often based on a percentage of the benefits actually received and can pay for themselves many times over. You'll be glad you did.

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