The Difference Between Incentive Types –
Statutory Incentives Vs. Negotiated Incentives

Statutory Incentives

Statutory incentives are the type almost all corporations pursue and obtain. Tax departments and tax advisors are good at this.

1. These incentives are required to be offered to all on the same basis.
2. More specifically, to earn the incentive:
    a. what a company has to do is spelled out
    b. the value of the incentive is the same for all performing the activity
    c. the process is usually to fill out a form after the occurrence of the activity
    d. then submit the form with a tax return or in some cases to first get a tax credit certificate which is then attached to the tax return
3. Examples:
    a. Tax credit for every new job added
    b. Tax credit for training employees (six states)
    c. Tax credit for investments

Negotiated Incentives

On the other hand, negotiated incentives are discretionary on the part of the offering entity which is state, county or city/town governments.

1. Whether the incentive is offered is up to the offering entity.
2. The amount offered is usually up to the offering entity
3. Often the terms and conditions are also the responsibility of the offering entity
4. While there often is standardization or limits these are still highly discretionary.
5. To obtain, a company will indicate in advance:
    a. the need for the incentives
    b. what it will do that could qualify for incentives