



**Illinois**  
**Department of Commerce**  
**& Economic Opportunity**

JB Pritzker, Governor

# **Manufacturing Illinois Chips for Real Opportunity (MICRO) 2022 Annual Report**

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### 1. Introduction

The Manufacturing Illinois Chips for Real Opportunity Act (“MICRO”) is one of the newest business incentives offered by the Illinois Department of Commerce & Economic Opportunity (the “Department”). This is the first annual report for the MICRO incentive program, submitted pursuant to 35 ILCS 45/110-75. Established by Public Act No. 102-700, MICRO supports the in-state production of semiconductors, microchips, and their component parts amid a global shortage that impacted the availability of goods ranging from automobiles to cell phones. The law anticipated and is aligned with the federal, bipartisan CHIPS and Science Act of 2022 to expand American manufacturing and rebuild semiconductor supply chains. The following report details the implementation of the Program since its inception in April 2022.

### 2. Eligibility Requirements and Legislative Updates

MICRO is designed to build upon Illinois’ research and development strengths to attract manufacturers of semiconductors, microchips and their component parts. MICRO gives Illinois a competitive advantage when combined with Illinois’ superior assets in workforce, water supply, infrastructure, and logistics.

The bill authorizing MICRO (P.A. 102-700) was signed into law on April 19, 2022. MICRO job creation incentives can be awarded as of January 1, 2023, and claimed by companies beginning January 1, 2025. This report, as of June 2023, reflects an amendment signed into law on February 3, 2023, (P.A. 102-1125) to increase the tax benefits for retained employees.

#### **Project Investment Requirements for large projects**

- Microchip and semiconductor Manufacturer: \$1.5B capital investment &  $\geq$  500 jobs within five years;
- Microchip and semiconductor Component Parts Manufacturer: \$300M capital investment &  $\geq$  150 jobs within five years; and
- Manufacturers converting existing manufacturing facility to microchips and semiconductors components manufacturing: \$100M capital investment &  $\geq$  75 new jobs (or new jobs equivalent to 10% of statewide baseline for taxpayer, whichever is less) within five years.

#### **Project Investment Requirements for smaller projects**

Microchip and semiconductor and/or component part manufacturers: \$20M capital investment &  $\geq$  50 jobs within four years.

#### **Credits for Income Tax Withholding**

- 100% of income tax withholdings attributable to new or retained employees in underserved areas; and

- 75% of income tax withholdings attributable to new or retained employees in other areas.
- Length of Credit:
  - 15 years for investment \$100M or greater (with a one-time possibility to renew).
  - 10 years for investments of at least \$20M (with a one-time possibility to renew).

### **Credits for Training Costs**

All projects are eligible for a credit up to 25% of eligible training costs:

- All projects are eligible for a credit up to 10% of training costs to train new or upskill retained employees.
- 15% for trainees who are recent Illinois graduates, certificate holders or credential recipients. Includes 4-year public and private universities, community colleges, vocational/technical schools, Clean Jobs Workforce Network Program, and USDOL certified apprenticeship programs.

### **Investment Credit**

- All MICRO projects receive an investment credit on qualified property (0.5%) for use in the year the property was put in service.

### **Illinois Tax Exemptions**

Applies to large businesses and projects:

- Exemption on retailers' occupation tax paid on building materials (5 years).
- Exemption on state utility tax for electricity and natural gas (10 years).
- Exemption on telecommunication excise tax and waives ICC administrative charge.

### **Credit for Construction Jobs**

A MICRO benefit that mirrors the Blue Collar Jobs Act is a tax credit against Corporate Income Tax liability for projects with a Project Labor Agreement in an amount equal to:

- 50% of the amount of the incremental income tax attributable to the construction wages paid in connection with construction of the project facilities as a jobs credit for workers hired to construct the project; and
- 75% if project is located in an underserved area or energy transition area.

## **3. Competitor State Incentive Programs**

Among other top location decisions for semiconductor manufacturing plants, Illinois has strengths in talent development, water rights, energy reliability, transportation and research and development. The MICRO incentives program provides a competitive addition to these honed assets. Illinois' primary competitors in this sector include Arizona, Idaho, Indiana, Kansas, New York, Ohio, South Carolina, Texas and Utah.



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### Examples of Other States' Semiconductor Attraction Programs

#### *New York - Green CHIPS*

These incentives were passed after the federal incentives in 2022 as an expansion of New York's existing Excelsior credit program. Credits available to Green CHIPS projects under the program include an investment tax credit, a research and development tax credit and a jobs tax credit.

#### *Idaho Semiconductors for America Act*

The Act exempts construction and building materials used to construct, expand or modernize a semiconductor facility in Idaho from the sales tax, for qualifying projects that submit requests in advance and sign agreements with the Idaho Department of Commerce.

#### *Ohio Megaprojects*

Ohio includes semiconductor wafer manufacturing facilities and suppliers as eligible for its megaproject incentives to offset its property tax, sales tax, and commercial activity tax. In January 2022, the State of Ohio won an Intel \$20 billion chip production facility with a package that included \$600 million in a cash grant, \$691 million for infrastructures like roads, water, and sewer and \$650 million in a job creation tax credit.

## 4. MICRO Program Summary

Illinois is a top-10 talent producer in a majority of fields relevant to semiconductor industries. The Department will continue to aggressively pursue federal funding opportunities through the federal CHIPS Act and the Inflation Reduction Act, working through our partner agencies and through the public-private consortium, Innovate Illinois. The Department has been meeting with companies both inside and outside of Illinois to promote these relatively new incentives and expects future reports to detail those wins.