Illinois
Department of Commerce
& Economic Opportunity
OFFICE OF BUSINESS DEVELOPMENT
JB Pritzker, Governor

Manufacturing Illinois Chips for Real Opportunity (MICRO)
2023 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 and 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 has 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 its 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 and microchips as well as 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 2024, 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 and ≥ 500 jobs within five years;
- Microchip and semiconductor Component Parts Manufacturer: $300M capital investment and ≥ 150 jobs within five years; and
- Manufacturers converting existing manufacturing facility to microchips and semiconductors components manufacturing: $100M capital investment and ≥ 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 and ≥ 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 larger projects (with a one-time possibility to renew).
    - 10 years for smaller projects (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 four-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 (BCJA) 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

When compared with other top locations 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.

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 infrastructure like roads, water, and sewer and $650 million in a job creation tax credit.

Other states listed as primary competitors do not have specialty microchip incentive programs. Instead, those states are using general manufacturing and workforce development programs to attract semiconductor businesses.

4. MICRO Program Summary

One of the markets for semiconductors is to build quantum computing systems. Illinois is the only state in the nation to house two of five National Quantum Labs and its rich quantum ecosystem also includes more than 100 incubators and accelerators, and world-class research universities with global leadership in business, engineering, and the sciences. Illinois is a top-10 talent producer in a majority of fields relevant to semiconductor industries.

Previously, Illinois was named the top recipient for federal quantum research grants in the country when the Argonne National Laboratory and Fermilab each received a $115 million grant from the U.S. Department of Energy (DOE). The University of Illinois and the University of Chicago also each received a $25 million National Science Foundation Quantum Leap Challenge Grant, making Illinois the only state in the nation to receive two of these awards.

In 2023, the U.S. Economic Development Administration announced that the Chicago Area Quantum Tech Hub: The Bloch was one of two Illinois applicants selected for funding opportunities through the federal Tech Hubs Program.

To grow this sector, the Department will continue to aggressively market the MICRO program and pursue federal funding opportunities through the federal CHIPS Act and the Inflation Reduction Act (IRA), working through our partner agencies and through the public-private consortium, Innovate Illinois. The Department is meeting with semiconductor companies regularly to promote these relatively new incentives and expects future reports to detail successful projects.