



Manufacturing companies designated as suppliers by Volkswagen benefit by locating in Tennessee in a number of ways. In addition to its strategic location in the heart of the Automotive South, companies locating in Tennessee can take advantage of strategic road and rail networks, allowing you to reach 75% of U.S. customers within 24 hours by ground. In addition, you can take advantage of these flexible incentive programs:

### Integrated Supplier Tax Credit

(available to Tier 1 suppliers)

- A designated Volkswagen supplier can take advantage of Tennessee's Super Jobs Tax Credit at a level available to companies creating 250 or more jobs and investing \$250 million regardless of where the company locates in Tennessee, the number of jobs the company creates or the company's capital investment.
- Designated suppliers will receive a credit of \$5,000 per job that may be used to offset up to one-third of the supplier's franchise and excise tax liability. Any unused credit may be carried forward for up to 15 years.
- And an additional tax credit of \$5,000 per job each year for six years that can offset up to 100% of the supplier's franchise and excise tax liability with no carry forward.
- 2/3rds of supplier's investment is excluded from the franchise tax base if supplier makes capital investment of \$100 million and creates 100 new occupational wage jobs.  
This applies to all designated VW suppliers regardless of investment threshold or the number of jobs created.

*This tax credit gives VW suppliers an enhanced value of \$35,000 per job vs. the standard \$2,000 per job Jobs Tax Credit.*

### Jobs Tax Credit is available to all Tier 2 and Tier 3 VW suppliers

Contact ECD for further details.

### FastTrack Job Training Assistance

(available to all VW suppliers)

- Tennessee is committing to provide \$4,500 in FastTrack Job Training Assistance per job for each designated VW supplier in Tennessee.

### FastTrack Infrastructure Development Assistance

(available to all VW suppliers)

- Tennessee provides matching funds for local communities seeking to improve roads, rail, utilities, water & sewer and other public infrastructure necessary to enable a job creation project.

### Enhanced Industrial Machinery Tax Credit

(available to all VW suppliers)

- Tennessee offers an Industrial Machinery Credit for all industrial machinery purchased or used in Tennessee. This credit may be used to offset up to 50% of the supplier's franchise and excise tax liability.
- This credit has a 15-year carry forward.
- A capital investment of \$100 million or less receives a 1% tax credit.
- A capital investment of \$100-\$250 million receives a 3% credit.
- A capital investment of \$250-\$500 million receives a 5% credit.
- More than \$500 million receives a 7% credit.
- Capital investments may be made over a three year investment period.

### No Sales & Use Tax Levied on Purchase of Qualified Pollution Control Equipment (available to all VW suppliers)

### Sales and Use Tax Savings on Energy and Water Consumption

(available to all VW suppliers)

- Customary sales and use tax on non-manufacturing consumption is 7%
- Manufacturing rate is reduced to 1.5%
- Energy in direct contact with product is exempt from sales and use tax.

### Headquarters Tax Credit

(available to all VW suppliers)

Contact ECD for further details.

Manufacturing companies designated as suppliers by Volkswagen benefit by locating in Tennessee in a number of ways. Following is an example of the tax incentives available to offset franchise and excise tax as well as sales and use tax for Volkswagen suppliers that locate or expand in Tennessee. The example is based on the creation of 100 net new full-time jobs and a projected capital investment of \$100 million.

**Example of Integrated Supplier Tax Credit**

*(available to Tier 1 suppliers)*

**Jobs Tax Credit**

If Supplier qualifies for the Super Jobs Tax Credit as an integrated supplier to Volkswagen Group and creates a total of 100 new full-time occupational wage jobs in the investment period, the Jobs Tax Credit for Supplier of \$5,000 per job would be approximately \$1,250,000. For a company with less than 1,000 employees this Jobs Tax Credit may be used to offset up to one-third of its franchise and excise tax liability. Supplier may carry forward any unused credit for up to fifteen years.

Estimated Value of Jobs Tax Credit (100 jobs @ \$5,000 per job): \$500,000

**Example Super Jobs Tax Credit**

If Supplier locates in Tennessee and is certified as an integrated supplier to Volkswagen, the company will qualify for the Super Jobs Tax Credit of \$5,000 per new occupational wage job each year for six (6) years.

For example, if Supplier is certified as an integrated supplier to Volkswagen and creates 100 new occupational wage jobs, Supplier may apply \$500,000 (100 jobs at \$5,000 Per job) to offset 100% of the company's combined franchise and excise tax liability each year for six (6) years for a total Super Jobs Tax Credit of \$3,000,000.

Estimated Total Value of Super Jobs Tax Credit Over Six Years: \$3,000,000

**Example of Franchise Tax Savings**

*(available to all VW suppliers)*

In addition to the jobs portion of the credit, 2/3 of Supplier's investment in the Tennessee facility will be excluded from the property measure of Supplier's franchise tax base. Based on the projected capital investment of \$100,000,000 Supplier may exclude approximately \$66,700,000 of its capital investment from the property measure resulting in a franchise tax savings of approximately \$166,667 annually.

Estimated Annual Franchise Tax Savings: \$166,667

**Example of Enhanced Industrial Machinery Tax Credit**

*(available to all VW suppliers)*

Based on the projected capital investment of \$100 million, Supplier will qualify for an Industrial Machinery Credit of 3% of the purchase price, cost of installation and repair of qualified industrial machinery. Assuming Supplier purchases \$50,000,000 of qualified equipment during the investment period, the credit of 3% will be \$1,500,000 and may be carried forward for up to fifteen years. The Industrial Machinery Credit also includes the cost of computers, computer systems and peripheral devices purchased during the investment period.

Estimated Value of Industrial Machinery Credit: \$1,500,000

**Example of Sales Tax Savings**

*(available to all VW suppliers)*

In addition to the sales tax savings on pollution control equipment and reduced rate on water and energy fuels, suppliers may purchase industrial machinery sales and use tax exempt. Assuming Supplier purchases \$50,000,000 in qualified industrial machinery, the estimated value of the state sales and use tax exemption is \$3,500,000. The qualified industrial machinery is also exempt from local sales and use tax, the value is contingent upon the location of the facility.

Estimated Value of State Sales and Use Tax Savings: \$3,500,000



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Test Drive TENNESSEE





STATE OF TENNESSEE  
DEPARTMENT OF REVENUE  
ANDREW JACKSON STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37242

April 13, 2009

Larry J. Creef, Asst. Treasurer  
Volkswagen Group of America Chattanooga Operations, LLC  
2200 Ferdinand Porsche Drive  
Herndon, VA 20171

Re: Volkswagen Group of America Chattanooga Operations, LLC, Headquarters  
Facility Application and Investment Plan  
FEIN: 26-4105535

Dear Mr. Creef:

The application and investment plan for Volkswagen Group of America Chattanooga Operations, LLC's headquarters facility located at 7000 Discovery Drive, Chattanooga, Tennessee 37416 has been tentatively approved based on the information provided.

This exemption allows Volkswagen Group of America Chattanooga Operations, LLC to make application for credit for all Tennessee state sales or use taxes paid to the State of Tennessee, except tax at the rate of one-half (.5%) percent, on the building materials, machinery and equipment used in the facility located at the above address. The procedure for applying for the credit is found in Tenn. Code Ann. §67-6-224(d).

The credit shall apply only to building materials, machinery and equipment used exclusively in the qualifying facility, purchased or leased between the investment period beginning November 1, 2008, and ending December 31, 2010, or one year after substantial completion of the headquarters facility, whichever is earlier. Any subsequent projects qualifying under Tenn. Code Ann. §67-6-224 will require submitting a separate application and investment plan.

If you have any further questions, please contact Steve Hollis in the Audit Division at (615) 741-9293 or [Steve.Hollis@tn.gov](mailto:Steve.Hollis@tn.gov).

Sincerely,

Linda Kelley, Director  
Taxpayer and Vehicle Services Division