

Tax-Exempt Financing from the Mercer County Industrial Development Authority



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Mercer County Industrial Development Authority (MCIDA) primarily serves as an issuer of tax-exempt bonds up to \$10 million as stand-alone transactions. (Basically, a way of turning a bank loan to a business into a low interest loan by using the MCIDA as a conduit.) Bond funds are loaned to businesses and can be used to finance land, building, and **new** machinery and equipment. Primarily, the eligible companies include small manufacturers and non-profit 501(c)(3) corporations.

Interest Rate and Terms:

The bank providing the money sets the interest rate and terms. The rate is usually about 85% of the prime rate and terms similar to conventional financing. The term of loan cannot exceed 120% of the depreciable life of the assets financed.

Key points for small manufacturing business bonds:

- Manufacturer must be “small”, with small defined as a company that does not incur more than \$20,000,000 of capital costs over a six-year period beginning three years prior to the date of closing.
- At least 75% of tax-exempt proceeds must be used for manufacturing activities; a limit of 25% of the proceeds may be used for office, research & development, and warehousing.
- For building acquisition, must spend an amount equal to at least 15% of the building acquisition financing amount on rehabilitation.
- Must create and/or retain, within three years, one full-time permanent job for every \$50,000 financed.

Key points for non-profit 501(c)(3) bonds:

- Non-profit must have received 501(c)(3) status from the Internal Revenue Service.
- Must create and/or retain, within three years, at least 10 full-time permanent jobs.