



ENTERPRISE ZONE INCENTIVE ASSUMPTIONS

Attached is an Illinois Enterprise Zone Financial Incentives Worksheet that summarizes estimated savings that may be realized by a company should it decide to locate and invest in the Belvidere/Boone County Enterprise Zone. For each incentive, the following assumptions have been made.

The actual savings from enterprise zone incentives will differ from the broad estimates and assumptions used herein.

Property Tax Abatement - Projects in an enterprise zone that result in an increase of the equalized assessed valuation (EAV) of real property are entitled to an abatement of the value of the new improvements. The property tax abatement for industrial real property improvements is calculated on a graduated scale of 80% for the first year, 60% for the second year, 40% for the third year, and 20% for the fourth year. The EAV is 33 percent of the market value of the real property improvements. **Assuming** the fair market value of real property improvements is \$ 9,242,400 the estimated increment of increase in EAV would be \$3,080,492. With an abating property tax rate of 5.9800%, the estimated annual property tax associated with the increase in EAV is \$184,213. The graduated term of abatement averages over the four-year term to approximately a 50% annual abatement. Therefore based upon these assumptions the total property tax abatement would equal to approximately a \$368,427 savings over the four-year term. Again, this is a direct benefit to the owner of the improvements and or the lessee, if the lessee is responsible for paying property taxes.

Under this example the estimated savings from Belvidere/Boone County Enterprise Zone Property Tax Abatements is \$368,427.

Enterprise Zone Investment Tax Credit -- A state investment tax credit of .5% is allowed a taxpayer who invests in qualified property in a zone. Qualified property includes machinery, equipment and buildings. The credit may be carried forward for up to five years.

As an example, a \$30 Million investment in qualified property in the zone will result in an estimated tax credit equal to \$150,000.

Under this example the estimated savings from the enterprise zone investment tax credit is \$150,000.

Jobs Tax Credit -- The Enterprise Zone Jobs Tax Credit allows a business a \$500 credit on Illinois income taxes for each job created in the zone for which a certified dislocated worker or economically disadvantaged individual is hired. The credit may be carried forward for up to five years. The credit must be applied to the earliest year for which there is a tax liability. A minimum of five eligible employees must be hired to qualify for the credit.

As an example, if 20 new full-time employees are expected to be hired. It can be assumed that 60%, or 12 new employees would be classified as a dislocated worker or as an economically disadvantaged individual. Employees must be full-time (35 hours/week) to qualify for the credit.

The total estimated savings from the jobs tax credit would be \$ 6,000.

Sales Tax Exemption -- A 6.75% sales tax exemption is permitted on building materials to be used in an enterprise zone. There is no location restriction on where the building materials are purchased.

As a general rule, 90% of the total construction costs are for actual building materials. A project that has a \$10,000,000 construction cost would mean \$9,000,000 would be the investment in materials. Assuming the state sales tax on building materials at the point of sale is 6.75% (this will vary with the point of sale),

The total estimated savings from the sales tax exemption on building materials is \$569,087. Again, this is direct savings to the owner of the facility. Benefits to the lessee of the facility will be determined on how the lease rate is negotiated.

Enterprise Zone Utility Tax Exemption -- The Public Utilities Act 220 ILCS 5/9-222.1, as amended and the Telecommunications Excise Tax Act 35 ILCS 630/2(a)(5), as amended allows a business enterprise that is certified by DCEO, as making an investment in a zone that either creates a minimum of 200 full-time equivalent jobs in Illinois or retains a minimum of 1,000 full-time jobs in Illinois, a 5 percent state tax exemption on gas, electricity and the Illinois Commerce Commission .1 percent administrative charge and excise taxes on the act or privilege of originating or receiving telecommunications.

To be eligible for this incentive DCEO must certify the business makes an investment of at least \$5 million in an enterprise zone and has created a minimum of 200 full-time equivalent jobs in Illinois or makes an investment of at least \$175 million in an enterprise zone and has created a minimum of 150 full-time equivalent jobs in Illinois or makes an investment of at least \$20 million in an enterprise zone and has retained a minimum of 1,000 full-time jobs in Illinois. A business must submit an application to DCEO documenting the eligible investment and that the job creation or job retention criteria have been met.

Each project would need to qualify for this benefit based upon the proposed level of capital investment and job creation.

Enterprise Zone Machinery and Equipment Sales Tax Exemption -- A 6.25% sales tax exemption is available on purchases of tangible personal property to be used or consumed in the manufacturing or assembly of tangible personal property for wholesale or retail sale or lease. This exemption includes repair and replacement parts for machinery and equipment used primarily in the wholesale or retail sale or lease, and equipment, manufacturing fuels, material and supplies for the maintenance, repair or operation of manufacturing, or assembling machinery or equipment. Eligibility for this exemption is contingent upon a business making a \$5 million investment which causes the creation of 200 full-time equivalent jobs in Illinois; an investment of \$40 million for the retention of 2,000 full-time jobs in Illinois or investing a minimum of \$40 million and retaining 90% of the existing jobs. The majority of the jobs created or retained must be in the enterprise zone in which the investment occurs.

For the purposes of this incentive, eligible investment may be either: 1) investments in qualified property as defined in the Enterprise Zone Investment Tax Credit; or, 2) non-capital and non-routine investments and associated service costs made for the basic construction, renovation or improvement of qualified property including productive capacity, efficiency, product quality or competitive position. Regular maintenance and routine expenditures are not included.

To be eligible for this exemption the tangible personal property must, be directly used or consumed in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease. Examples of this include: repair and replacement parts; hand tools; materials and supplies such as abrasives, acids or lubricants; protective clothing and safety equipment; and, any fuel used for machinery and equipment.

Note: The above examples are only exempt to the extent they are used with machinery and equipment that qualifies for the statewide Manufacturing Machinery and Equipment Sales Tax Exemption.

A business must make application to and be certified by DCCA for the enterprise zone machinery and equipment sales tax exemption. The exemption will be granted for a period of five years. At the expiration of the initial five-year period, certified firms may apply to the Department for renewals of the exemption for additional five-year time periods. The exemption shall not be allowed beyond the term of the certified enterprise zone.

Each Project would have to qualify for this benefit based upon the proposed level of capital investment and job creation.