

# ENTERPRISE ZONE TAX BENEFIT PROGRAM

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

## NOTICE

Pursuant to SB 1155 (2004), the Enterprise Zone tax benefit program is being phased out of existence.

- ✓ Only a facility that has commenced operations or put its development into use on or before December 31, 2004, can be eligible for the state tax incentives under the program.
- ✓ Facilities that do not commence operations until January 1, 2005, or later, will not be eligible to receive the state tax incentives under the program.

*Remember that Form 135.258, the pre-application (“Letter of Intent”) for the facility, must be postmarked no later than 15 days before commencement of operations. For a business commencing operations ON December 31, 2004, the form must be postmarked no later than December 16, 2004. Forms postmarked after that date will be ineligible for the state incentives portion of the program without regard to the date of commencement of operations.*

- ✓ Facilities already in the program as of December 31, 2004, will continue to receive the state tax incentives under this program for up to ten years as provided in the law. These facilities are considered to be “grandfathered” into the program.

Enterprise zone real property local tax abatement is not affected by the phase-out of the state incentive program.

## PURPOSE

Provide tax incentives to facilitate the expansion of new or existing businesses in one of Missouri’s many enterprise zones.

## AUTHORIZATION

Sections 135.200 to 135.270, RSMo

## HOW THE PROGRAM WORKS

Local property tax abatement, a state income tax exemption and state income tax credits may be provided to a business based on various factors:

- ✓ the number of new jobs created
- ✓ the number of enterprise zone residents employed
- ✓ the number of “difficult to employ” people employed
- ✓ zone residents or difficult to employ employees receiving training
- ✓ the amount of new investment at the qualifying facility

The credits are provided each year for up to ten years after the project commences operations unless the life of the enterprise zone expires before that time.

## ELIGIBLE AREAS

The eligible project must be located in one of Missouri’s “enterprise zones.” Enterprise zones are specified geographic areas as certified by the Department of Economic Development (DED) based on demographic eligibility and approval of a request by the local governments. The number of zones that may be certified is limited by law.

A list of certified enterprise zones can be obtained from the department or via its web site. To determine whether a particular location is in an enterprise zone, contact the local zone administrator for that zone.

## ELIGIBLE APPLICANTS

Facility eligibility is determined by its primary Standard Industrial Classification (SIC) or North American Industrial Classification System (NAICS) code, and includes manufacturing, warehousing, wholesale distribution, mining, insurance carriers, research and development,

recycling operations, computer-related services and certain office activities.

To receive credits in any of the ten years, the facility must create at least 2 new jobs and make \$100,000 in new investment (\$1,000,000 for “replacement facilities”) in that year as compared to the base year (the year prior to the commencement of operations at the facility).

The investment credits are based on the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same. Inventory is not eligible.

### **ELIGIBLE USE OF TAX CREDITS**

This tax credit can be applied to:

- ✓ Ch. 143 – Income tax, excluding withholding tax
- ✓ Ch. 148 – Insurance Premium Tax
- ✓ Sec. 375.916 – Insurance Co. Retaliatory Tax

This credit has no special attributes and can only be applied to tax liability for the year it was earned, unless it was issued for a new facility, for which there may be up to a \$75,000 refund of state income taxes in the first two years of eligibility.

### **APPLICATION PROCEDURE**

The business must submit a form letter of intent (pre-application) to the Department of Economic Development (DED) at least 15 days prior to the commencement of facility operations; otherwise, the project is ineligible for the tax credits. DED must determine eligibility of the business within 15 days of receipt of the letter of intent form. Failure to meet this requirement precludes participation in the program for the base year sought.

The business must file an application for tax credits for its first year of operations by the end of the tax year immediately following the tax year during which operations were commenced. Failure to timely file the application for credits for the first year of operations will result in a denial of the application and precludes participation in the program for the base year sought.

### **FUNDING LIMITS**

A company can receive:

- ✓ Up to a 50% state income tax exemption
- ✓ A \$400 credit for each new job
- ✓ A \$400 credit for each employee who is an enterprise zone resident
- ✓ A \$400 credit for each employee who was a “difficult to employ” person (receiving welfare or unemployed for a specified period of time)
- ✓ Up to \$400 credit per employee trained who was a zone resident or “difficult to employ”
- ✓ A credit equal to \$5,500 for the first \$100,000 of new capital investment at the facility and 2% of new capital investment amounts above \$100,000 at the facility
- ✓ 50% local property tax abatement on improvements

### **CONTACT**

**MISSOURI**

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### **ADDITIONAL RESOURCES**

Go to the department’s home page at [www.missouridevelopment.org](http://www.missouridevelopment.org) to obtain guidelines and forms for this program as well as a wealth of information regarding Missouri’s many other economic development programs and policies.