

ILLINOIS ENTERPRISE ZONE PROGRAM

20 ILCS 655/1 et seq., as amended

The purpose of the Act is to stimulate private investment through relaxed governmental controls and tax incentives within those designated locations in Illinois.

There are currently 95 Enterprise Zones located throughout the State of Illinois.

Businesses located in an enterprise zone are eligible for numerous tax incentives. They are as follows:

TAX EXEMPTIONS

**Sales Tax Exemption 35 ILCS 120/5k, as amended
(86 Ill. Admn. Code 130.1951) and (14 Ill. Adm. Code 520.1100)**

A state sales tax exemption is permitted on building materials to be used in an enterprise zone as long as they are purchased from a qualified retailer in Illinois and affixed to real property of a qualified project in a municipality and/or county that has an established enterprise zone for which a certificate of eligibility for sales tax exemption has been issued and signed by the zone administrator and is accompanied by a signed purchasers' statement.

**Enterprise Zone Machinery and Equipment/Pollution Control Facilities Sales Tax Exemption
35 ILCS 120/1d - 1f
(86 Ill. Adm. Code title 130.1951) and (14 Ill. Adm. Code 520.1000)**

A state sales tax exemption is available on purchases of tangible personal property to be used or consumed in the manufacturing or assembly process or in the operation of a pollution control facility. This is contingent upon a business making a \$5 million investment which causes the creation of 200 full-time equivalent jobs in an Illinois Enterprise Zone or a \$40 million investment which causes the retention of 2,000 full-time jobs in an Illinois Enterprise Zone or an investment of \$40 million which causes the retention of 90% of the existing jobs. A business must make application to DCEO documenting the eligible investment and that the job creation or retention criteria has been met.

**Enterprise Zone Utility and Telecommunication Excise Tax Exemption
220 ILCS 5/9-222.1 and 35 ILCS 630
(86 Ill. Adm. Code 510.131) and (14 Ill. Adm. Code 520.900)**

A state utility tax exemption on gas, electricity and the ICC administrative charge, as well as, telecommunication excise tax on originating calls. Local units of government may also exempt their taxes on gas, electricity and water. 65 ILCS 5/8-11-2. This is contingent upon a business making a \$5 million investment which causes the creation of 200 full-time equivalent jobs in Illinois or a \$175 million investment which causes the creation of 150 full-time equivalent jobs since June 16, 1997, or a \$20 million investment which causes the retention of 1,000 full-time equivalent jobs in Illinois. A business must make application to DCEO documenting the eligible investment and that the job creation or retention criteria has been met.

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TAX CREDITS

Enterprise Zone Investment Tax Credit 35 ILCS 5/201(f)
(86 Ill. Adm. Code title 100.2110) and (14 Ill. Adm. Code 520.800)

A state investment credit of .5 percent is allowed for qualified property in a zone. Qualified property includes machinery, equipment and buildings. This credit may be carried forward for up to five years. This is in addition to the regular .5 percent investment tax credit throughout the state as well as a .5 percent for employers that increase their employment in Illinois by one percent over the preceding year.

Jobs Tax Credit 35 ILCS 5/201(g)
(86 Ill. Adm. Code 100.2120) and (14 Ill. Adm. Code 520.1200)

This allows a business a \$500 credit on Illinois income taxes for each job created in the zone for which a certified dislocated or economically disadvantaged individual is hired. The credit may be carried forward for up to five years. A minimum of five eligible employees must be hired to qualify for this credit.

INCOME TAX DEDUCTIONS

Dividend Income Deduction 35 ILCS 5/203(b)(2)(K)
(86 Ill. Adm. Code 100.2480) and (14 Ill. Adm. Code 520.1300)

Individuals, corporations, trusts and estates are not taxed on dividend income received from corporations doing substantially all their business in a zone.

Interest Deduction 35 ILCS 5/203
(86 Ill. Adm. Code 100.2110) and (14 Ill. Adm. Code 520.1400)

Financial institutions are not taxed on interest earned from loans made to companies for development in a zone. The loans must be made for property, which qualifies for the Enterprise Zone investment tax credit.

Contribution Deduction 35 ILCS 5/203(b)(2)(N)
(14 Ill. Adm. Code 520.500)

Businesses may deduct, from taxable income, double the value of a cash or in-kind contribution to an approved project of a designated zone organization. An application is required to be submitted to DCEO for approval on the designated zone organization as well as the proposed project.

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LOCAL INCENTIVES

Enterprise Zone Property Tax Abatement 35 ILCS 200/18-170

Provides that any taxing district may, upon majority vote, orders the county clerk to abate any portion of its taxes on real property located within a zone and upon which new improvements have been constructed, renovated or rehabilitated as per local ordinance. A Tax Increment Financing (TIF) district may be included in the legal description of zone and consequently be eligible to receive tax incentives and benefits other than property tax abatement. The property tax abatement provision, however, must exclude the TIF district from the area eligible for abatement.

Homestead program

Provides for the State and an enterprise zone governmental unit to sell an individual a residence for a sum not to exceed \$100 if the individual agrees to live in the residence for a period of seven years and to renovate or remodel the property to meet the level of maintenance as stated in the agreement. Upon fulfillment of the agreement the property is then assigned to the individual at the end of the seven-year term.

Shopstead program

Provides for an enterprise zone governmental unit to sell to a designated zone organization property for a sum not to exceed \$100 if the organization agrees to renovate or remodel the property to meet the level of maintenance as stated in agreement. Upon fulfillment of the agreement the property is then assigned to the organization.

Waiver of building and licensing fees

Special local financing programs

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