

**HOUSE BILL NO. 479****IN THE LEGISLATURE OF THE STATE OF ALASKA****EIGHTEENTH LEGISLATURE - SECOND SESSION****BY REPRESENTATIVE BRICE****Introduced: 2/14/94****Referred: Labor & Commerce, State Affairs, Finance****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to enterprise zones."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 \* **Section 1.** AS 43.33 is amended by adding new sections to read:

4 **ARTICLE 10. ENTERPRISE ZONES.**

5 **Sec. 44.33.820. DESIGNATION AND DURATION OF ENTERPRISE**  
6 **ZONES.** The governor may designate up to four enterprise zones each year from the  
7 prioritized list of applications provided to the governor by the department under  
8 AS 44.33.830(c). A designation under this section lasts for 20 years.

9 **Sec. 44.33.822. ELIGIBILITY FOR DESIGNATION.** In order for a  
10 geographical area to be eligible for designation as an enterprise zone,

11 (1) the area must consist of one census tract used in the latest  
12 completed United States census;

13 (2) 25 percent or more of the households of the area must have annual  
14 incomes that are less than 80 percent of the median annual household income within

1 the boundaries of the applicant where the area is located;

2 (3) the unemployment rate of the area must be 1.5 times the average  
3 unemployment rate in the state, or 20 percent or more of the households in the area  
4 must be below the poverty level; and

5 (4) an eligible neighborhood development organization must operate in  
6 the area; in this paragraph, "eligible neighborhood development organization" has the  
7 meaning given in 42 U.S.C. 5318a(a).

8 Sec. 44.33.824. APPLICATION FOR DESIGNATION. (a) A borough, a  
9 unified municipality, or a city, if the city is not within a borough, may apply to the  
10 department to have a geographical area that is located within the boundaries of the  
11 applicant designated as an enterprise zone.

12 (b) The application must be in the form established by the department and  
13 include

14 (1) a description of the location and boundaries of the proposed area;

15 (2) facts showing how the area satisfies the eligibility requirements of  
16 AS 44.33.822;

17 (3) facts demonstrating the potential of the area for economic  
18 development and neighborhood stabilization and revitalization;

19 (4) a general statement of the incentives that the applicant proposes to  
20 provide to the area after designation as an enterprise zone in order to promote the  
21 economic development and neighborhood stabilization and revitalization of the area;  
22 if the area proposed by the applicant is designated as an enterprise zone, the applicant  
23 shall provide in the enterprise zone the incentives proposed in the application;

24 (5) a description of the strategies that the applicant proposes to use to  
25 promote the economic development and neighborhood stabilization and revitalization  
26 of the area; and

27 (6) other information required by the department by regulation.

28 Sec. 44.33.826. LIMIT ON NUMBER OF ZONES LOCATED WITHIN  
29 QUALIFYING MUNICIPALITY. There may not be at the same time more than three  
30 enterprise zones designated within a qualifying municipality.

31 Sec. 44.33.828. LOCAL INCENTIVES. A qualifying municipality may

1 identify as incentives under AS 44.33.824

2 (1) reduction of the municipality's permit or user fees;

3 (2) credits on the municipality's property taxes or exemptions from the  
4 taxes;

5 (3) flexibility in the municipality's regulation of the area, including  
6 establishing special zoning districts, special processing for permits, and exemptions  
7 from local ordinances;

8 (4) the proposed lease or sale of the municipality's real property to  
9 private persons, except that the applicant may not propose the lease or sale of property  
10 that is designated or otherwise targeted for public use.

11 Sec. 44.33.830. DEPARTMENT ACTION. (a) The department shall verify  
12 the information and eligibility of an area proposed in an application submitted to the  
13 department under AS 44.33.824. The department shall prioritize the applications  
14 received by the department each year according to the degree of economic distress of  
15 the areas demonstrated by the application, the potential of the area for economic  
16 development and neighborhood stabilization and revitalization, and the feasibility of  
17 the incentives and strategies that the applicant proposes to use to promote the  
18 economic development and neighborhood stabilization and revitalization of the area.

19 (b) When determining the degree of economic distress of an area under (a) of  
20 this section, the department shall use the income, employment, and other economic and  
21 social data in the latest completed United States census.

22 (c) Each year the department shall transmit the prioritized list developed under  
23 (a) of this section to the governor.

24 Sec. 44.33.832. REVIEW AND APPEAL OF DEPARTMENT ACTION. (a)  
25 A qualifying municipality that submits an application under AS 44.33.824 may appeal  
26 to the commissioner

27 (1) a determination by the department that the area proposed in the  
28 application is not eligible under AS 44.33.822 for designation as an enterprise zone;

29 (2) a denial of the application by the department for a reason other than  
30 (1) of this subsection; or

31 (3) the priority given to the application by the department.

1           (b) The determination of the commissioner under (a) of this section may be  
2 appealed to the superior court by a qualifying municipality within 30 days after the  
3 qualifying municipality receives written notice of the commissioner's determination.

4           (c) The department shall establish by regulation the procedure to be used for  
5 the appeal under (a) of this section.

6           Sec. 44.33.834. DEADLINES. The department shall establish by regulation  
7 deadlines for the submittal, review, and other administrative handling of applications  
8 for designation as an enterprise zone. The deadlines must be compatible with the  
9 deadlines for applying for grants under 42 U.S.C. 5318a.

10          Sec. 44.33.836. STATE INCENTIVES FOR ENTERPRISE ZONES. The state  
11 is encouraged to provide to an enterprise zone incentives that include

- 12                   (1) reduction of state permit or user fees;  
13                   (2) credits on state income taxes or exemptions from the taxes; and  
14                   (3) the proposed lease or sale of the state's real property to private  
15 persons, except that the applicant may not propose the lease or sale of property that  
16 is designated or otherwise targeted for public use.

17          Sec. 44.33.838. REGULATIONS. In addition to the regulations required under  
18 AS 44.33.820 - 44.33.840, the department may adopt regulations to implement  
19 AS 44.33.820 - 44.33.840. The regulations required or authorized under AS 44.33.820  
20 - 44.33.840 shall be adopted under AS 44.62 (Administrative Procedure Act).

21          Sec. 44.33.840. DEFINITIONS. In AS 44.33.820 - 44.33.840,

- 22                   (1) "borough," "city," and "unified municipality" have the meanings  
23 given in AS 29.71.800;  
24                   (2) "commissioner" means the commissioner of commerce and  
25 economic development;  
26                   (3) "department" means the Department of Commerce and Economic  
27 Development;  
28                   (4) "economic development and neighborhood stabilization and  
29 revitalization" includes the development of new or existing businesses, the creation of  
30 employment opportunities, and the development of affordable and sound housing;  
31                   (5) "enterprise zone" means a geographical area designated as an

1 enterprise zone under AS 44.33.820;

2 (6) "qualifying municipality" means a borough, a unified municipality,  
3 or a city, except a city that is located in a borough.

4 \* Sec. 2. AS 29.45.050 is amended by adding a new subsection to read:

5 (o) A borough, a unified municipality, and a city, except a city located in a  
6 borough, may by ordinance partially or totally exempt from taxation property in an  
7 enterprise zone designated under AS 44.33.820 or may provide a credit on taxes due  
8 to the municipality on property in an enterprise zone designated under AS 44.33.820.

9 \* Sec. 3. AS 43.20.021(d) is amended to read:

10 (d) Where a credit allowed under the Internal Revenue Code is also allowed  
11 in computing Alaska income tax, it is limited to 18 percent for corporations of the  
12 amount of credit determined for federal income tax purposes which is attributable to  
13 Alaska. This limitation does not apply to a special industrial incentive tax credit under  
14 AS 43.20.042 or to tax credits under AS 43.20.046 - 43.20.048.

15 \* Sec. 4. AS 43.20 is amended by adding new sections to article 1 to read:

16 Sec. 43.20.046. ENTERPRISE ZONE INVESTMENT TAX CREDITS. (a)  
17 In addition to any other tax credit allowed for the investment under this chapter, and  
18 to the extent that the property qualifying as an investment under this section is used  
19 solely and exclusively during the tax year in an enterprise zone, a taxpayer may apply  
20 as a credit against the taxpayer's tax liability under this chapter, for a tax year  
21 beginning on or after January 1 of the tax year when the investment is made, 15  
22 percent of the investment made by the taxpayer in a new business facility during the  
23 tax year.

24 (b) If the taxpayer has not operated the new business facility for the entire tax  
25 year, the credit under this section shall be calculated by dividing the investment made  
26 during the tax year by 12 and multiplying the result by the number of full months that  
27 the taxpayer operated the facility during the tax year.

28 (c) If the new business facility replaces another facility, the credit determined  
29 under (a) and (b) of this section is reduced by the average annual investment of the  
30 taxpayer, or a related taxpayer, in the former facility for the three tax years that  
31 preceded the tax year for which the credit is claimed.

1 (d) In this section,

2 (1) "investment" means the value of the real and tangible personal  
3 property, except inventory or property held for sale to customers in the ordinary course  
4 of the taxpayer's business, constituting a facility or used in the operation of a facility;  
5 in this paragraph,

6 (A) "net rental rate" means the rental rate less the rental  
7 payments received by the taxpayer from subrentals;

8 (B) "value" means the total purchase price if purchased, or the  
9 net rental rate if rented, paid for the property;

10 (2) "related taxpayer" means a person under the control of the taxpayer  
11 or a person, except an individual, controlled by a person who is controlled by the  
12 taxpayer; in this paragraph,

13 (A) "control" or "controlled" means the direct or indirect  
14 ownership of at least, with regard to a

15 (i) corporation, 80 percent of the total combined voting  
16 power of all classes of stock entitled to vote and 80 percent of all other  
17 classes of stock of the corporation;

18 (ii) partnership or an association, an 80 percent interest  
19 in the capital or profits of the partnership or association;

20 (iii) trust, 80 percent of the beneficial interest in the  
21 principal or income of the trust;

22 (B) "person" includes, in addition to the entities identified in  
23 AS 43.20.340, an organization that is not a corporation, a partnership, or a  
24 trust.

25 Sec. 43.20.047. CREDIT FOR NEW BUSINESS FACILITY EMPLOYEES.

26 (a) Subject to the limitation in (b) of this section, a taxpayer who establishes a new  
27 business facility for at least one year in an enterprise zone may apply, as a credit  
28 against the taxpayer's tax liability under this chapter for the first full income tax year  
29 of the new business facility, \$500 for each new business facility employee who works  
30 in the zone.

31 (b) The number of new business facility employees that the taxpayer may

1 claim for credit under this section is determined by

2 (1) totaling the number of new business facility employees employed  
3 on the last business day of each operating month of the facility during the tax year;  
4 and

5 (2) dividing the result in (1) of this subsection by the number of  
6 months the facility was in operation during the tax year.

7 (c) In this section, "new business facility employee" means an individual who

8 (1) is employed by the taxpayer in the operation of a new business  
9 facility during the tax year for which the credit allowed by this section is claimed; and

10 (2) works on

11 (A) a regular, full-time basis;

12 (B) a part-time basis if the individual customarily worked at  
13 least 20 hours a week throughout the taxable year; or

14 (C) a seasonal basis if the individual works for substantially all  
15 of the season customary for the individual's position.

16 Sec. 43.20.048. DEFINITIONS FOR AS 43.20.046 - 43.20.048. In  
17 AS 43.20.046 - 43.20.048,

18 (1) "enterprise zone" means an area designated as an enterprise zone  
19 under AS 44.33.820;

20 (2) "facility" means a factory, mill, plant, refinery, feedlot, warehouse,  
21 processing plant, or other building located within an enterprise zone, including the land  
22 on which the facility is located and all machinery, equipment, and other real and  
23 tangible personal property located at or within the facility, and used for the operation  
24 of the facility;

25 (3) "new business facility" means a facility, except the portion of the  
26 facility that the taxpayer leases to another person or does not use in the operation of  
27 a facility.

28 \* Sec. 5. AS 44.33.020 is amended by adding a new paragraph to read:

29 (34) implement AS 44.33.820 - 44.33.840.

30 \* Sec. 6. TRANSITIONAL PROVISION. AS 43.20.021(d), as amended by sec. 3 of this  
31 Act, and AS 43.20.046 - 43.20.048, enacted by sec. 4 of this Act, apply to tax years beginning

1 on or after January 1, 1995.