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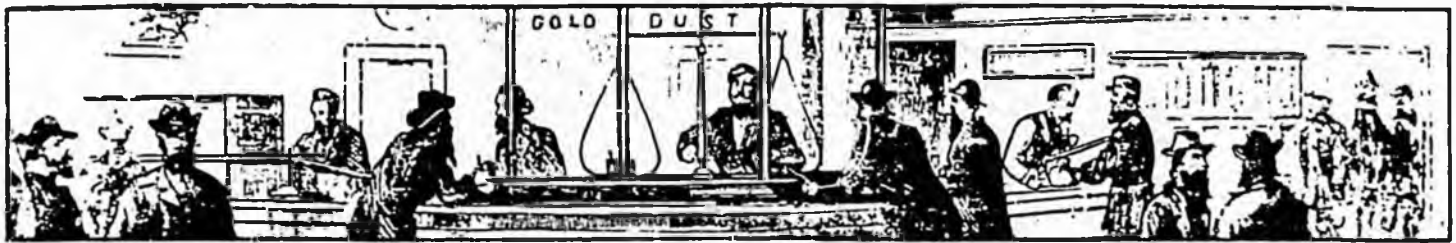
Enterprise Zones  
Rep. Terry Martin  
Page 2

Recently, in Colorado, the legislature passed the Urban and Rural Enterprise Zone Act. The new law sets criteria and defines what situation must exist before a zone can be created. In Alaska we could do the same thing, but tailor the guidelines to help solve our particular problem. If we are worried about unemployment, we address it. If we are worried about per capita income, we address it. If we are worried about growth rate, then we address that.

Among other things the Colorado law allows for credits or reduced rates on property taxes, income taxes and machinery and equipment taxes. These incentives are offered for those who set up shop in "areas predominantly rural in character with a population of fifty thousand or less." In Alaska would could offer these incentives plus more. Possibilities include reduced environmental restrictions, financing incentives such as guaranteed loans, not necessarily subsidized but with longer terms for lower payments, joint venture arrangements with state participation, like the Red Dog project, and access to natural resources owned by the state.

Further, recent advances in the shipping industry make it possible for many ships to carry bulk cargo one way and compartmentalized cargo another. Today, many ships can haul logs or coal across the sea and haul computer circuit boards back. With this in mind, I believe we should explore the possibilities of enterprise zones and foreign trade zones working together. I currently know of no restrictions that would prohibit us from doing this.

In many cases import laws allow a huge savings to the importer if just one step in the assembly process takes place in the US. If we could offer a tax break and a promise to stay out of the way in exchange for someone to set up a shop where part of an assembly process could be performed, I think we'd both win.



# THE FISCAL LETTER

An Information Service of the National Conference of State Legislatures — Earl S. Mackey, Executive Director

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## CAUTION GUIDES 1985 BUDGET ACTIONS

Caution was the hallmark of state budget policy in 1985. States generally cut back the growth of spending, and only a handful made large cuts in taxes. State budgets reflected extreme concern that an economic slowdown could depress revenues and that large federal aid cutbacks might soon create serious budget problems for states. These are the highlights of a survey of legislative fiscal officers conducted by the National Conference of State Legislatures following the passage of budgets this year.

### Fiscal Condition

State fiscal conditions vary considerably, with energy states, farm states, and some others afflicted by serious budget problems. While fiscal conditions for many states have improved since 1983, state finances are still in much worse shape than they were five years ago. At the end of Fiscal Year 1985 (June 30, 1985 in 46 states), one state had a deficit, nine states had balances below one percent of spending, and nine other states had balances under three percent (See Table 1).

Wall Street analysts and many state officials regard a five percent balance as the minimum prudent level, but only 23 states had balances of that size. Most states expect balances to decrease during the current fiscal year, and only 19 anticipate five percent balances at its end. (This report considers both the balances in states' general funds and their Rainy Day Funds, if such funds have been created.)

Total state balances at the end of FY1985 (\$8.9 billion) were about 4.5 percent of total spending, approximately half of the level in 1979 and 1980. Balances are projected to decrease to \$7.1 billion during FY1986, representing 3.4 percent of total spending.

### Tax Policy

Tax revenue is projected to grow 5.3 percent in FY1986 (See Table 2), continuing a downward trend in the growth rate that started in early 1984. Twenty-five states raised taxes, and 20

(Text continued on page 4)

## BUDGET ACTIONS (Conclusion)

states lowered taxes this year. Most of the increases were small, involving excise taxes or small changes in exemptions, while a few of the decreases were large. The aggregate national net change in taxes in the first year is a \$1.1 billion decrease. Income tax cuts in New York and Ohio will be phased in over three years, so the eventual tax reduction will be larger.

Twelve states lowered income taxes, with the reductions in Minnesota, New York, and Ohio being the largest. Nearly all of these states were reversing tax increases enacted in 1982 and 1983 when states were battling against budget deficits. Other income tax reductions were in Delaware, Indiana, Kansas, North Carolina, Oregon, Pennsylvania, Rhode Island, West Virginia, and Wisconsin. Connecticut reduced its sales tax burden by exempting clothing priced under \$75.

No states increased their income tax, and Oklahoma was the only state to raise its sales tax rate (one-fourth of a cent). Oklahoma, where the economy is plagued by oil price declines, was the only state to increase taxes by more than five percent.

Cigarette tax increases were popular this year, as nine states boosted their tax unconditionally and 16 other states enacted increases contingent on a decrease of the federal tax scheduled for October 1. Seven states reduced inheritance taxes.

Wisconsin, West Virginia, and Oregon enacted significant tax reforms this year. Wisconsin broadened its personal income tax base in order to lower marginal tax rates. West Virginia overhauled its entire business tax system. Oregon developed a program to enact a sales tax and lower property and income taxes; it will take effect if voters approve it in a September referendum.

Despite this year's tax reductions, state tax levels are more likely to be higher than lower than before the tax increases passed in 1982 and 1983.

### Spending Policy

Total spending is budgeted to increase 6.9 percent on average (See Table 2). This is considerably less than last year, when spending rose more than ten percent. This decrease reflects the caution instilled in the budget process.

Education was a top priority, with both elementary-secondary (K-12), and higher education receiving above-average budget increases. Aid for elementary-secondary schools went up 8.3 percent, and funding for higher education rose 8.0 percent. Fiscal officers identified education as the leading budget issue, just as they did last year.

One important new priority for states this year was child protective services and day care, which were listed as major budget issues in seven

states. On the other hand, health programs were not mentioned as often as in the past, since states have managed to reduce the escalation of Medicaid costs.

Corrections spending rose 9.5 percent because states are grappling with problems of overcrowded prisons. More than half of the states are planning or are currently involved in prison construction.

### The Outlook

State finances are volatile, being highly sensitive to swings in the national economy and federal aid policy. An economic slowdown would quickly deplete most of the balances that states have accumulated during the past two years. A four percent revenue shortfall would virtually eliminate the reserves of a state with a four percent balance. In fact, the Minnesota Department of Finance indicated on July 23 that its forecast of economic growth has been lowered, and Minnesota's entire nine percent balance could be expended within two years.

Copies of this report, State Budget Actions in 1985, are available free to legislators and their staffs. Others may obtain a copy for \$25. Requests should be directed to NCSL's Marketing Department.

## AN OVERVIEW OF ENTERPRISE ZONES

Enterprise zones have been strongly advocated by the Reagan Administration without success in Washington, but the attention generated has led more than a third of the states to create such zones. Researchers on the Enterprise Zone Project at Oklahoma City University have put together a useful description of the different approaches taken by the states. The table on page 5 summarizes the zone legislation enacted thus far.

Twenty-four states are included in the table, which covers the period through February 1985. Eighteen states have actually designated zones, and the other six have not yet reached that point. As the table indicates, Louisiana, Arkansas, and Florida have designated the greatest number of zones.

The major designation criteria for zones are unemployment, population, income, and condition of buildings. More than 12 different types of tax incentives and four kinds of capital financing incentives are provided in various states, as well as regulatory relief and miscellaneous incentives.

The Director of the Enterprise Zone Project is Michael Wolf. His phone number is 405/521-5160.

**TABLE 3  
ENTERPRISE ZONES  
ZONE DESIGNATION CRITERIA**

State	Current Number of Zones Designated	Basic Eligibility	Unemployment	Population	Income	Buildings/Services
ALABAMA	1	0	0	0	0	0
ARKANSAS	181	0	0	0	0	0
CALIFORNIA <sup>a</sup>	0	0	0	0	BOTH	0
CALIFORNIA	0	0	0	12 150'	BOTH	0
CONNECTICUT	6	0	0	200'	PL	0
FLORIDA	136	0	0	0	0	0
GEORGIA	2	0	0	200'	PL	0
ILLINOIS	20	0	0	120'	0	0
INDIANA	10	0	0	18 150'	PL	0
KANSAS	78	0	0	18 150'	HI	0
KENTUCKY	6	0	0	18 150'	HI	0
LOUISIANA	623	0	0	0	0	0
MARYLAND	10	0	0	18 150'	HI	0
MINNESOTA	16	0	0	12 120'	PL	0
MISSISSIPPI	10	0	0	0	0	0
MISSOURI	15	0	0	150'	HI	0
NEVADA	0	0	0	0	0	0
NEW JERSEY	2	0	0	12 150'	PL	0
OHIO	13	0	0	18 150'	HI	0
OKLAHOMA	0	0	0	150'	HI	0
PENNSYLVANIA	30	0	0	0	PL	0
RHODE ISLAND	0	0	0	0	0	0
TENNESSEE	0	0	0	24 150' (20')	HI	0
TEXAS	0	0	0	12 150'	HI	0
VIRGINIA	12	0	0	150'	HI	0

<sup>a</sup>California offers two types of EZ legislation: "The Enterprise Zone Act" and "The Employment and Economic Incentive Act."



# Backgrounder

States Information Center  
The Council of State Governments  
Iron Works Pike  
P.O. Box 11910  
Lexington, KY 40578  
(606) 252-2291

# UPDATE

JULY, 1985

CSG BACKGROUNDER -- 048201

April, 1982  
GROWTH MANAGEMENT  
Economic Development  
Enterprise Zones

## STATES BUILD THEIR OWN ENTERPRISE ZONES

Despite continued endorsement by President Ronald Reagan, federal enterprise zone bills have received only minor Congressional support. The 1983 Kemp-Garcia bill was a model for state enterprise zones but has never been enacted by congress. The U.S. Treasury Department estimates a federal program would cost \$3.4 billion in lost revenue.

Eighteen states have active enterprise zone programs and six more states have passed enabling legislation for the programs.

States with active programs:

- Alabama (Sec. 11-40-15) 1983
- Arkansas (Sec. 9-1701) 1983
- Connecticut (Sec. 32-70) 1982
- Florida (Sec. 290.001) 1982
- Georgia (HB 629) 1982
- Illinois (Ch. 67 1/2, Sec. 601) 1982
- Indiana (Sec. 4-4-b.1) 1983
- Kansas (Sec. 12-17, 109) 1983
- Kentucky (Sec. 154.650) 1982
- Louisiana (Sec. 51:1781, Act #638) 1983
- Maryland (Art. 41, Sec. 266) 1982
- Minnesota (Sec. 273.1312) 1983
- Mississippi (SB 2528) 1983
- Missouri (Sec. 135.200) 1983
- New Jersey (Ch. 303) 1983
- Ohio (Sec. 5709.61) 1982
- Pennsylvania (16 Pa. Code Cn. 23) 1983
- Virginia (Sec. 59.1-273) 1983

Note: *Backgrounder* information is the latest available at the time of publication, but for updates, you should contact the appropriate state or federal agency directly. This material does not represent the position of The Council of State Governments. Information is included based on relevance to the topic. Some material, as noted, is copyrighted and may not be reproduced further without permission of the original publisher. Contact the States Information Center or the writer at CSG.

*The Secretary Speaks*

# State Enterprise Zones: Targets of Opportunity

By Hon. Samuel R. Pierce, Jr.  
Secretary, Department of Housing  
and Urban Development

The South Bronx bustling with factories . . . Harlem as an East Coast Silicon Valley . . . These images sound far-fetched, but they could happen—with enterprise zones.

The enterprise zone concept envisions certain areas designated as targets of opportunity—areas that are economically dormant but that can be revitalized if all levels of government reduce regulatory burdens and red tape, lower or eliminate excessive taxes, and forge new partnerships with the private sector.

This is not easy to do, but it is happening in state enterprise zones. By applying the enterprise zone concept, unused and underutilized land is being reclaimed and becoming a resource for communities. Across the country, state enterprise zones have become valuable tools in local economic development strategies.

Also, and of equal importance, state enterprise zones are creating jobs, thus fulfilling President Reagan's promise that ". . . enterprise zones will create jobs, independence, and hope for people in inner cities and other economically distressed areas."

The American Legislative Exchange Council has been a leader in the enterprise zone concept from the beginning. In 1978, ALEC founding member Senator Don Totten introduced in Illinois the nation's first Enterprise Zone bill, beginning the drive for revitalization of urban and rural areas through innovative tax policies and privatization. Since ALEC's 1980 *Source Book of American State Legislation*, which included the first national publication and distribution of the Enterprise Zone Act, 27 states have enacted legislation calling for enterprise zones. In addition, ALEC sponsored the nation's first and largest national conference on enterprise zones.

State enterprise zones are an attractive possibility for a chief executive looking for a headquarters location or plant site. Financial incentives are available,



Secretary Samuel Pierce

although they vary from state to state. In many cases, infrastructure is in place. And, most importantly, there is a commitment to the area by the local government and business community.

The key to the success of these efforts lies in harnessing private investment. This can be accomplished only by making investment attractive. This has been the underlying thrust of the state programs, as well as the proposed federal legislation. A variety of state and local incentives—from employer and employee tax credits to loans and loan guarantees—are available to encourage the revitalization of these areas.

Business has already shown confidence in the enterprise zone approach to economic development. Investment in state enterprise zones ranges from thousand-dollar small business expansions to major investments of \$300 million and more for plant renovations.

Corn Products Corporation is investing that amount to renovate its corn wet-milling plant in a zone overlapping Bedford Park and Summit, Illinois; Georgia-Pacific Corp. is putting \$160 million into expansion of its Zachary, Louisiana facilities; Sanyo Manufacturing Corp. is investing more than \$36.2 million in facilities in Forrest City, Arkansas; Lanham Lumber and Dry Kiln, a small start-up business in the Louisville, Kentucky Enterprise Zone, invested \$2.7 million and reports that it has saved \$200,000 in taxes through state zone incentives in its first year.

Increases in employment range from

the addition of two employees in small businesses to retention of 1,200 workers at Corn Products Corp., and almost 2,000 at Spiegel, Inc. in Chicago. The Georgia-Pacific expansions added 130 jobs, and Sanyo will create 305 jobs. Lanham Lumber has hired 55 employees. More than 70 percent of these new employees qualified as zone residents, low-income or previously unemployed persons.

The types of businesses participating in zones are diverse—from manufacturing, commercial, and retailing firms, to professional offices and medical centers. Many are small businesses.

For businesses in such areas and for companies considering expanding operations, enterprise zones are a good place to invest. Preliminary reports from 16 of the 20 states that have designated enterprise zones show that jobs created or retained number well above 70,000 and that capital investment has increased by more than \$2.5 billion. With federal legislation enacted, a lot more could be done.

While the efforts in state enterprise zones are laudable for building a strong local and state foundation, federal legislation is needed to supplement these efforts with both tax incentives and regulatory relief. With this new tool, the government will then be able to get a handle on solving its most intractable problem—high levels of unemployment in distressed pockets throughout the country.

Studies have indicated—and the experiences of states have confirmed—that the benefit of job creation and economic revitalization far exceed the cost of tax breaks. Not only will unemployed people be off welfare and unemployment insurance, they will be back on the tax rolls. No longer will run-down, distressed areas drain a city's treasury; their enhanced value will generate increased taxes. And hope will be given—hope that a free enterprise economy can marshal its most important asset, its entrepreneurial spirit, and conquer the twin problems of unemployment and economic distress. ■

## American Enterprise Zones Revisited: Reporting on the States

# "THE ENTREPRENEURIAL SPIRIT"

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by Lee L. Verstandig

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Since I wrote the article entitled "American Enterprise Zones" for *LEGISLATIVE POLICY* in January 1984, state enterprise zones have become increasingly crucial in the economic development strategies of state and local governments. They have shown, in President Reagan's words, that "America is not about promises. America is about promise." They have shown how the Promise of America is the Promise of Opportunity.

Today, across the Nation, more than 1,300 zones have been designated in more than 600 jurisdictions. Based on state reports, a preliminary estimate of their economic impact is that over 75,000 jobs have been created or saved, and more than \$2.5 billion of capital investment has occurred in those zones which have reported their activity.

From Hartford to Los Angeles, depressed areas are being physically and economically revitalized. Existing businesses and plants are ceasing plans to relocate and expanding and updating their facilities instead. In a real and enduring way, state enterprise zones have served as catalysts to stimulate the "entrepreneurial spirit" of which the President speaks. They have done, locally, what we have the obligation, nationwide, to do: Help those the Economic Recovery has eluded, and leave for our children a

better land than we ourselves inherited.

### EXPANSION OF ENTERPRISE ZONES

The phenomenal expansion of state enterprise zones has been illustrated not only in the number of zones—but also in the fine tuning of the concept by the states, as well as the consideration of legislation in many additional states.

Since I wrote my first article for *LEGISLATIVE POLICY*, five additional states have adopted the concept, bringing the total to 26. In 1984, the state of Florida revised its enterprise zone statute to reduce the number of zones—but moreover, to increase the power of the state incentives and to require a greater degree of local commitment to the process. Earlier this year, the state of Texas amended its statute to allow communities to proceed with local designation without waiting for Federal designation. And in California, the legislature has enacted two enterprise zone bills—one written by a Democrat and the other, by a Republican—to designate 19 zones by 1987. Already, the state is well under way with its designation process. In July, 1985, California announced the 24 cities and counties seeking final designation, and by mid-February 1986, 13

of these communities will be designated as enterprise zones. Enterprise zone legislation was actively considered in 8 additional states in 1985, including New York, West Virginia, Wisconsin, Michigan, Massachusetts, Nebraska, Hawaii, and Oregon.

In Oregon, Governor Atiyeh signed legislation on July 15, 1985 which calls for the designation of 30 zones in three years. Unfortunately, the outlook for enactment of enterprise zone legislation passing in several of those remaining 7 states is not overly encouraging. The legislative sessions have ended in West Virginia, Nebraska, and Hawaii, and legislation in Massachusetts has in effect been tabled for the remainder of the respective session. In Michigan, New York and Wisconsin, there is a possibility that legislation may still be acted upon this fall. The Wisconsin legislature is actively holding hearings. The pending Michigan legislation calls for the designation of an area in Benton Harbor as a pilot enterprise zone.

### STIMULATING THE ENTREPRENEURIAL SPIRIT

It is especially noteworthy that state laws do not and are not intended to assist only huge metropolitan areas, but also small middle-American

towns and townships. These communities, too, recognize that such incentives help create jobs and opportunities. They know that state enterprise zones reflect the best of American free enterprise: A Nation striving, creating, hoping, dreaming.

Because no two communities are alike, no two enterprise zones will be identical. In order to excel, to make the idea work and prosper, a great deal of time must be devoted to community self analysis. Detailed work on the needs and assets of the community must be addressed and dealt with, because it is clear that the simple labeling of a tract of land as an enterprise zone won't bring results.

Moreover, for a zone to be successful there must be input from all aspects of the community—state and local governments, businesses, community leaders, as well as enterprise zone residents. This is a basic tenet of both the President's concept of Federalism and his commitment to private-public sector partnerships. President Reagan put it best when he said earlier this year at a White House meeting with the Nation's governors: "No single sector of our Nation—government, business, labor or non-profit organizations—can solve our problems alone. But, by working together, pooling our resources and building our strengths, we can accomplish great things."

While clearly state enterprise zones are already accomplishing "great things," the President recognizes that even more could be accomplished by the enactment of Federal enterprise zone legislation. He foresees, as he stated in his first radio address of his second term, that enterprise zones instead of ghettos, can create "increased incentives to work and invest ... [and thereby] produce a renaissance of business activity and community involvement."

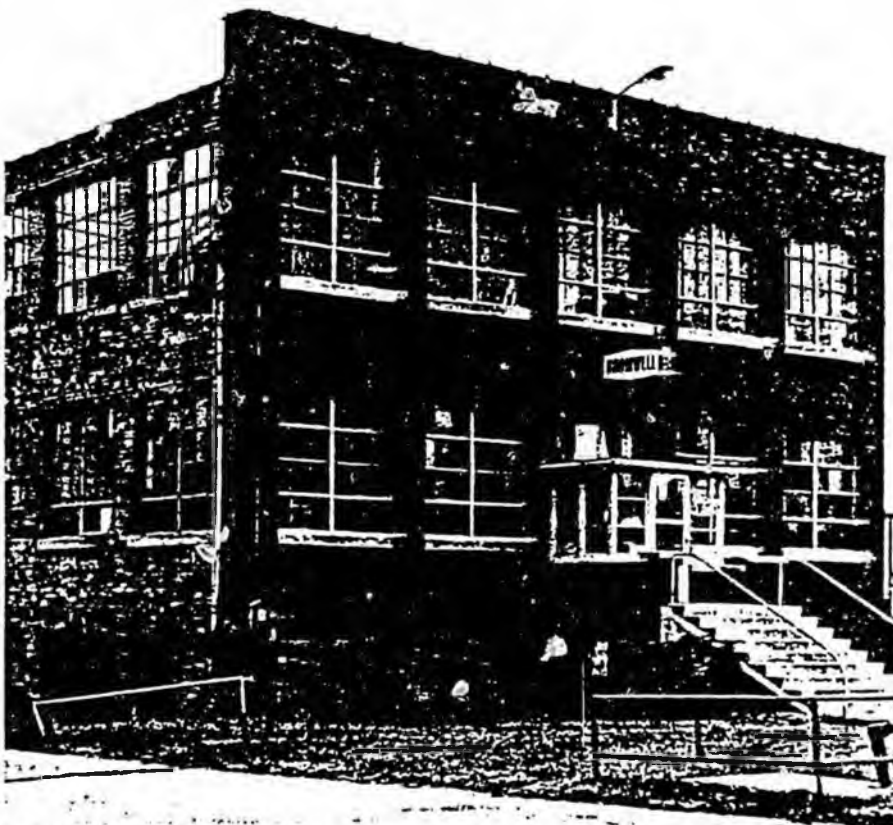
The President's enterprise zone proposal will allow states and localities to design their own stimuli for economic development in their target areas. Together, local, state, and Federal enterprise zone incentives will encourage the private sector to help to restore the economic vitality of our impoverished urban and rural areas. In fact, the extent to which the private sector and community are involved in developing zone proposals

will be one of the determining factors in the ultimate selection of zones for federal designation.

Enterprise zones should not be thought of as a panacea for all of our Nation's economic woes. They won't instantly eradicate unemployment, poverty and blight. But this initiative, even without Congressional approval has already begun to bear fruit all across the land. Through innovative incentives, businesses are being at-

investment referred to by Secretary Pierce as well as the diversity among the zones:

- Through an aggressive advertising and marketing program coordinated by the local chamber of commerce, coupled with various tax incentives, Michigan City, Indiana has been able to attract \$7.5 million in private investment to its enterprise zone.

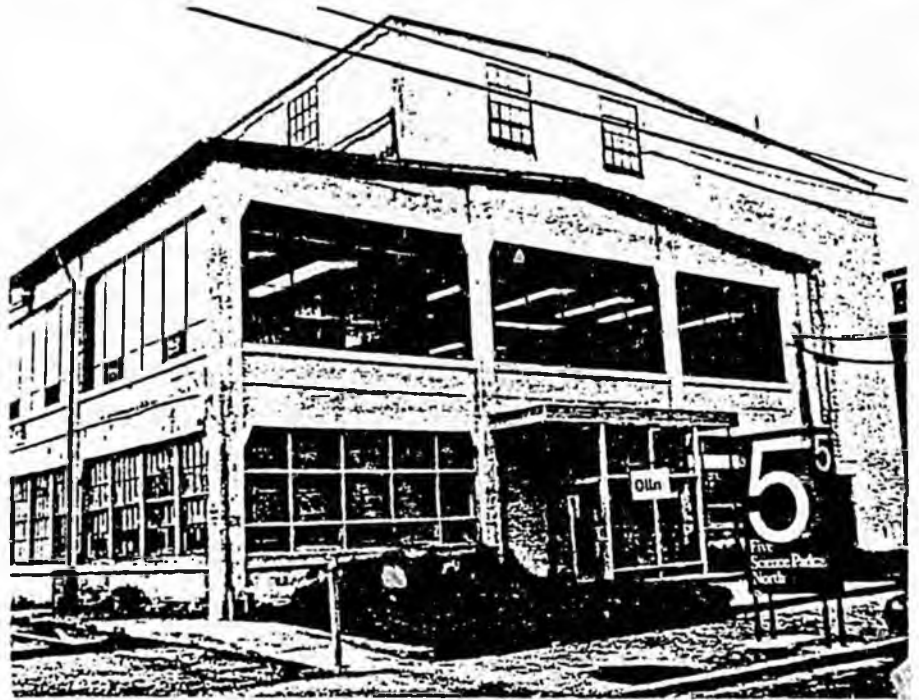


*BROMWELL, INC., in the "Michigan City" zone.*

tracted to areas of high unemployment and neglect. This, in turn, has generated numerous opportunities for minorities and small business as well as new high tech firms. As Housing and Urban Development Secretary Samuel R. Pierce, Jr. noted in his July 1985 speech to the American Bar Association, "... investment by businesses in state enterprise zones range from several thousand small business expansions to major investments of \$300 million and more for plant renovation." Today, while there are literally hundreds of success stories across the country, the following five enterprise zones will illustrate the range of

In the first year alone, 306 new jobs were created in the zone, a minority neighborhood. Threatening to leave Indiana, Anderson & Company, a maker of windshield wipers, consolidated plants and moved into the zone, thereby retaining 1,000 northwest Indiana jobs and creating 100 more. The Nation's oldest houseware manufacturer, Bromwell, Inc., which was also contemplating relocation, decided to remain within the Michigan City zone as a result of a series of inventory and property tax abatements.

- Science Park, an 80-acre high tech and light industrial park, is the anchor of New Haven, Connecticut's enterprise zone. Located in a neglected neighborhood near Yale University, the park has created public-private partnership between the university, city of New Haven and local corporations. The park's main features are two small business incubation centers which provide support services to over 85 entrepreneurs. SONECOR, a communications firm which occupies a new building in the park, has installed a "state of the art" telephone communications system throughout the park. The system promises enormous future potential; in fact, it is already providing teleconferencing and videoconferencing facilities in one building. The zone has also attracted an IBM computer education facility designed to train unemployed zone residents in word processing. Minorities represent 95% of the 150 people who have been trained there. A study conducted by Science Park staff indicates that of the first 100 people trained, better than 95% have received jobs; in addition, their salary is twice the amount they received while on welfare.



*A small firm in SCIENCE PARK, the "anchor of New Haven, Connecticut's enterprise zone."*

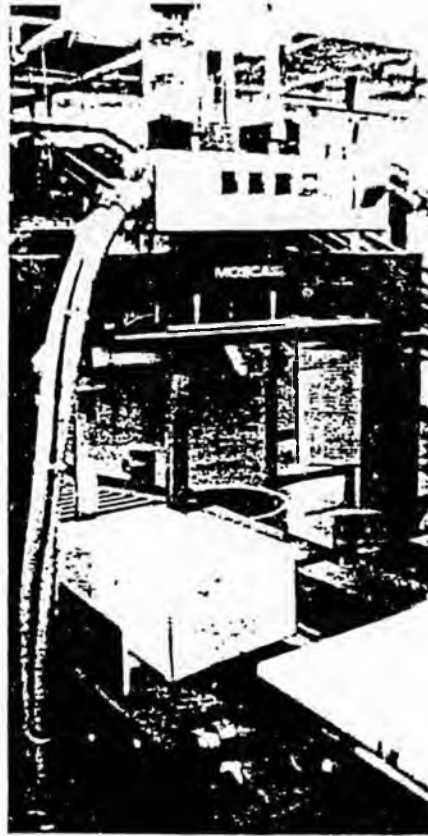
- City leaders in Tampa, Florida recognized the potential for development of tourism in Ybor City, Tampa's historical Cuban cigar-making district. Private investors in Ybor City have used Florida's enterprise zones incentives and the distinctive Hispanic architecture to rehabilitate and construct several new restaurants, a winery, an ornamental wrought-iron factory, a

historic park and hotel, and a custom stained glass factory. In addition, a theater there has been converted into an apartment complex. Since zone designation in late 1981, this predominantly Hispanic community has attracted over 30 new firms, which coupled with 9 expansions, have generated over \$12 million of capital investment and 250 new jobs in that zone.

- Enterprise zones have also had success in Chicago, Illinois. The decision by Spiegel, Inc. to take advantage of state enterprise zone incentives by investing \$20 million in the renovation of its catalog mail order center in the "Back of the Yards" district has saved 2,000 jobs and will create an additional 1,000 over the next three years. The *Chicago Sun Times* has reported that Corn Products Corporation, Inc. plans to invest \$200-300 million to renovate its existing mill facilities in an enterprise zone on the west end of the city.
- State enterprise zones are also helping to generate economic activity in many rural areas across the country. Kansas, Mississippi, Louisiana, Arkansas, Missouri, Minnesota and Florida all have active rural zones. For instance, Macon, Missouri, a small rural



*YBOR CITY, a historic district in a Tampa city zone.*



*SPIEGEL's state-of-the-art warehouse facility, located in a Chicago enterprise zone.*

agricultural community of 5,580 residents, has created or retained some 500 jobs in their zone since its designation in August 1983. In addition, approximately \$6.2 million has already been invested. The success of rural zones is particularly important because the Administration's enterprise zone proposal calls for the designation of one third of the zones selected in each of the three years to be in rural areas.

## THE NEED FOR FEDERAL LEGISLATION

Today, thousands of jobs are being created in state enterprise zone programs. As President Reagan said in his State of the Union Address in January 1985, enterprise zones can "place new dreams in a million hearts and create a new generation of entrepreneurs." Across America, these efforts are helping point the way toward growth, opportunity, and prosperity—literally, a non-partisan GOP.

All of this has taken place without Federal tax and regulatory relief, and

yet it is clear that the enactment of Federal legislation with powerful investment and labor incentives is needed to sustain the progress made by the states. Dr. Stuart Butler, an enterprise zone pioneer who is now with the Heritage Foundation, introduced the British model, with significant improvements, to the United States. He has praised existing state enterprise zone programs—pointing out, however, that they can provide only limited incentives since the largest tax and regulatory burdens are imposed by Washington. In testimony before the House Ways and Means Committee, Butler noted that "the experience of the states" shows that the enterprise zones "would work far better with Federal incentives."

Support for Federal enterprise zone legislation has also emerged among small businesses, neighborhood improvement groups, large trade associations, and public officials across the country. Mayor John H. Smith of Prichard, Alabama has vigorously supported the Administration's proposed legislation in his testimony on behalf of the National Conference of Black Mayors: "The potential of the

Enterprise Zone concept to create self-reliant economic and political environments, regardless of size, offers a tremendous advantage to the small towns and cities represented by the National Conference of Black Mayors. We are encouraged that the Federal government is finally awake to our needs for local control within the context of cultural and human resource development."

The two largest organizations of elected officials, the National League of Cities and the U.S. Conference of Mayors, as well as the U.S. Chamber of Commerce, have repeatedly endorsed enterprise zones.

Business and job training organizations, such as the Opportunities Industrialization Centers of America and the National Business League, would look favorably upon the enactment of Federal legislation. The Reverend Leon H. Sullivan, founder of OIC of America, has praised enterprise zones at the organization's 1983 annual convention, saying "Enterprise zones provide a new opportunity to create jobs in the inner city. We who are concentrating on the needs of the jobless and unemployables welcome this new development."

In the 98th Congress more than 250 members of the House of Representatives, including at least 100 Democrats, have demonstrated their support by co-sponsoring enterprise zone legislation. In addition, numerous state and local elected officials of both political parties from all parts of the country testified before or submitted letters to the House Ways and Means Committee in support of a Federal enterprise zone program in November 1983. Mayor Henry Cisneros of San Antonio, Texas put a Federal enterprise zone program in proper perspective when he simply stated, "I know it [enterprise zones] can work because it *has* worked."

More recently, Governor Dick Thornburgh called enterprise zones "the best friend Pennsylvania communities have had in years." He added, at a June 1985 press conference, "with more than 350 new or expanding businesses in our enterprise zones, it is evident that this program has successfully translated private-public commitment into real economic opportunity."



CORN PRODUCTS CORPORATION, in a west end zone of Chicago.

Syndicated columnist Carl T. Rowan, though often critical of the Administration's domestic programs, has commented favorably on the Administration's enterprise zone proposal: "Enterprise zones will not provide jobs for all those who are desperate for work opportunities. But it will make jobs available to many and thus give hope to almost all. And hope may be the most precious item at this time."

In a fall 1984 telecast of The Editors Desk, Chicago Mayor Harold Washington told television viewers, "what we don't need are 100 enterprise zones spread across the country for cosmetic and p.r. purposes; what we need are a few enterprise zones, well thought out, used as pilot programs, which we can study to see whether they work or not." The *New York Times* echoed Mayor Washington's sentiments on enterprise zones in a February 1985 editorial as "deserving a test."

The Administration does not contend that a Federal enterprise zone program should be substituted for any of the existing essential urban and rural programs. Instead, as Mayor Washington and the *New York Times* suggest, the Administration advocates trying this innovative economic development concept on an experimental basis. The President made this same point in a luncheon with black clergymen when he stated, "We want to make it profitable for business to provide opportunity to some of this country's most deprived

citizens. If this experiment works, it can provide a blueprint for future projects all across America."

Enterprise zones are not the total answer to all of the economic problems of the distressed urban and rural areas of the country—but they represent a significant start. They encourage pride and spur economic development. And equally important, they help people help themselves.

Carl Sandburg wrote, "The Republic is a dream—nothing happens unless first a dream." Dreams are what America is about. It's time for government to respect the dreams that are flourishing—to help open the windows of opportunity and let in the sunshine of hope and step aside to watch those dreams grow into realities. Enterprise zones will do just that—they will help allow our dreams to grow into realities.

As we are seeing from the state enterprise zone programs, local communities are the soldiers of an economic and social revolution that are enabling the Federal government to reduce its role, while at the same time encouraging and applauding the strength of our private sector and its capacity to assist in increasing our economic vitality for generations to come. Increasingly, local communities are the signers of a new Declaration of Economic Independence. In cities and towns across the country, their dedication in seeking to enhance the "entrepreneurial spirit" as well as their leadership role in the renaissance of public-private partnerships,

such as enterprise zones, is an inspiration to all of us in this Administration.

However, as President Reagan noted in his State of the Union Address this year: "While we have begun well, it is only a beginning. We are not here to congratulate ourselves on what we have done, but to challenge ourselves to finish what has not yet been done." We in this Administration will continue our commitment to make the enterprise zone programs in the states even more successful by working toward the enactment of Federal enterprise zone legislation.

Enterprise zones can assist the most vulnerable among us. They can mold things, change things, alter for the better this land in which we live. They can be as relevant as today. They can be as great and good as America herself.

"I hear America singing," wrote the poet Walt Whitman, "the varied carols I hear." Enterprise zones can help America sing—if we, as Her leaders, will only act and hear.



Lee L. Verstandig is Undersecretary, Department of Housing and Urban Development.

# State Enterprise Zone Legislation



Georgia (for Enterprise Zone in Atlanta)  
 Rhode Island (effective upon passage of Federal legislation)

- States with Legislation enacted
- State with Administrative EZ Program
- States in which enabling Legislation proposed in 1985
- States in which zones have been designated

## PRIVATIZATION OF THE PUBLIC SECTOR

### ENTERPRISE ZONE ACT

Congressman Jack Kemp

Innovation has always been man's most effective tool for overcoming problems; and in America—since its very beginnings—innovation has been expressed through individual initiative and community resolve. In the 1980s we are witnessing the American way at work again in our troubled inner cities and lagging rural areas, where the truly innovative idea of "enterprise zones" is stimulating the creative energies of communities and enterprising individuals. Simply put, the concept behind "enterprise zones" is to provide special economic incentives to businesses which locate and operate within an economically depressed urban or rural area in order to create a maximum opportunity for enterprise which will lead to the economic and community revitalization of the area.

Enterprise zones is a program for the 1980s. While still an experiment, it has already caught the imagination of fourteen states which have passed enterprise zone legislation and have begun to implement their programs. I commend the American Legislative Exchange Council for standing at the cutting edge of this bold new idea and promulgating it among the State Legislatures. Enterprise zones present a unique opportunity for the Federal and State governments to work together to restore vitality to our disadvantaged and decaying communities, and solve—together—a pressing problem with both local and national consequences. The enterprise zone bill which I have sponsored in Congress will open doors for this cooperation which is vital to the success of the program.

The federal Enterprise Zone Tax Act would provide a mix of tax and regulatory incentives to businesses and investors within the zone—not

only to encourage business activity but to create jobs and training opportunities for the people who live and work in the zones. Past experience has shown that we can't just impose urban programs from Washington without any regard to the wishes and needs of people living in urban communities. The tragic aftermath of many urban renewal projects attests to the disaster this can bring, and therefore the successful enterprise zone program will include strong protections for community involvement. Indeed, the notion of community lies at the heart of enterprise zones.

Economic stagnation produces more than just the outward signs of urban decay—the derelict streets and burnt shells of buildings. It drastically limits the opportunities of people who live there. It's just not enough to say that many of these individuals can pick up and move somewhere else. With the disintegration of communities comes the abandonment of valuable infrastructures, and far worse the abandonment of the very poorest Americans to areas where there is no longer any tangible opportunity and therefore no incentive to preserve and invest the human capital which all of us possess.

Neighborhood groups and local leaders are becoming a powerful force in strengthening the community aspects of enterprise zones. Economic development can go hand-in-hand with neighborhood development to preserve and sustain the economic benefits of the free market environment created by the enterprise zone program. Neighborhood property owners associations are providing efficient alternatives to public services. Community "crime watch" programs have made streets safer and brought neighbors together. An innovative enterprise zone program at the state level—such as the one ALEC is introducing—allows flexibility for the citizens of a locality to design their own suitable and effective community participation programs which are tailored to individual circumstances. In addition, enterprise zones bring opportunity for community groups to work directly with private enterprise for their mutual gain. Businesses within the zones are granted special tax credits for hiring and training local and disadvantaged workers, and community groups can identify and help organize those individuals.

It has always been my contention that enterprise zones cannot be a substitute for other programs, and that instead they should be seen as an additional urban policy tool. There are no reasons why existing urban redevelopment programs cannot retarget funds to enhance the effect of the enterprise zones, and certainly there are no federal restrictions on what a particular State may do. Connecticut has set up a million dollar revolving loan fund to provide venture capital for new firms locating within the zone. Each zone firm in Connecticut will receive a \$1,000 grant for each new job it creates within the zone for disadvantaged zone residents. Still,

it must be recognized that federal business assistance programs account for at most 3% of new business capital, and that is why an effective enterprise zone program will create new incentives for private capital rather than create a new public capital program.

Small businesses are the biggest job creators, especially for cities and disadvantaged workers. Yet while small firms create nearly all the new jobs in America's older cities, they are least able to benefit by direct federal government assistance. Most entrepreneurs are hard to identify for government assistance, and often the government officials are unwilling to involve smaller, more risky ventures. That is why I conclude that any new enterprise zone venture capital proposal should seek to attract private investors at the local level to put money into enterprise zones. This taps the greatest source of capital for the inner cities. It avoids the problem of government trying to select likely winners and losers. And it allows the market ultimately to award winners and losers without putting all taxpayers at risk.

Critics of the enterprise zone program argue that it will cost the government too much in terms of lost revenue, but enterprise zones are appealing precisely because they do not cost the government anything in terms of tax dollars, while promising billions in future investments, job creation, and infrastructure improvement. There are no tax revenues "foregone" because without the zones there would be no sources to tax. Yet once a zone begins to generate economic development, new taxable enterprises will be created and welfare costs will be reduced as new workers leave the welfare rolls to become taxpayers.

The preliminary evidence from states which have implemented enterprise zones is encouraging. We would like to see the federal Enterprise Zone Tax Act pass so that the efforts of the States and Federal Governments can be combined, but I would encourage every State Legislator who is concerned about jobs and the problems of inner city economic stagnation to look closely at the model enterprise zone bill which the American Legislative Exchange Council is proposing.

#### Suggested Legislation

(Title, enacting clause, etc.)

1 Section 1. *[Short Title]* This act may be cited as the Enter-  
2 prise Zone Act.

3 Section 2. *[Statement of Purpose]*  
4 The general assembly hereby finds and declares that the health,

1 safety and welfare of the people of (State) are enhanced by the con-  
2 tinual encouragement, development, growth and expansion of pri-  
3 vate enterprise within this State. That there are certain economically  
4 depressed areas in the State that need particular attention to create  
5 new jobs, stimulate economic activity and attract private sector in-  
6 vestment rather than government subsidy to improve the quality of  
7 life of their citizens. It is the purpose of this Act to encourage new  
8 economic activity in these depressed areas of the State by means of  
9 reduced taxes and the removal of unnecessary governmental bar-  
10 riers to the production and earning of wages and profits and the  
11 creation of economic growth.

12 Section 3. [Definitions]

13 As used in this Act, unless the context otherwise requires:

14 (1) "Authority" means the enterprise zone author-  
15 ity of (name of State);

16 (2) "Enterprise zone" means an area of the State  
17 declared by the authority to be eligible for the benefits of this Act;

18 (3) "Qualified business" means any person, cor-  
19 poration or other entity engaged in the active conduct of a trade or  
20 business, limited to the business location within the enterprise zone  
21 and not extending to related interests or business locations outside  
22 the zone;

23 (a) With at least fifty percent (50%) of its em-  
24 ployees performing substantially all of their services within an en-  
25 terprise zone; and

26 (b) With individuals from one (1) or more of  
27 the following three (3) categories constituting at least twenty-five  
28 percent (25%) of the business' employees:

29 (i) Residents of an enterprise zone;

30 (ii) Individuals who have been unemployed  
31 for at least the entire year prior to obtaining employment with the  
32 business;

33 (iii) Individuals who have received public as-  
34 sistance benefits, based on need and intended to alleviate poverty,  
35 for at least the entire year prior to obtaining employment with the  
36 business.

37 (4) "Qualified property" means:

38 (a) Any tangible personal property located in  
39 an enterprise zone used predominantly by the taxpayer in the zone  
40 in the active conduct of a trade or business; and

1 (b) Any real property located in such zone  
2 which:

3 (i) Was used predominantly by the tax-  
4 payer in the active conduct of a trade or business; or

5 (ii) Was the principal residence of the tax-  
6 payer on the date of the sale or exchange;

7 (c) Any interest in a corporation, partnership,  
8 or other entity if, for the most recent taxable year of such entity  
9 ending before the date of the sale or exchange, such entity was a  
10 qualified business.

11 (5) "Qualified employee" means any employee  
12 who works for a qualified business.

13 Section 4. [Enterprise Zone Application]

14 (1) Any city, county or urban county government by act of  
15 the local legislative body may designate any area or areas within  
16 their jurisdiction to be an economically depressed area. Such city,  
17 county or urban county government may then make written appli-  
18 cation to the authority to have such area or areas declared to be an  
19 enterprise zone. Such application shall include a description of the  
20 location of the area or areas in question and such other informa-  
21 tion as the authority may require.

22 (2) Upon receipt of an application from a city, county or  
23 urban county government the authority shall review the applica-  
24 tion to determine whether the area or areas described in the appli-  
25 cation qualify to be designated an enterprise zone.

26 (3) The authority shall complete its review within one hun-  
27 dred twenty (120) days of receipt of the application, but may extend  
28 this time period an additional sixty (60) days if necessary. If the au-  
29 thority denies the application, it shall inform the unit of local gov-  
30 ernment of the fact along with the reasons for the denial.

31 Section 5. [Enterprise Zone Designation]

32 (1) Any area or areas of a city, county or urban county gov-  
33 ernment may be designated an enterprise zone which:

34 (a) Has a continuous boundary, and

35 (b) Is an area of pervasive poverty, unemployment and  
36 economic distress.

37 (2) An area meets the requirements of subsection (1)(b) of  
38 this section if:

(a) The average rate of unemployment in such area for the most recent eighteen (18) month period for which data are available was at least one and one-half (1 1/2) times the average national rate of unemployment for such eighteen (18) month period; and

(b) At least seventy percent (70%) of the residents living in the area have incomes below eighty percent (80%) of the median income of the residents of the city, county or urban county government requesting designation; or

(c) The population of all census tracts in the area decreased by ten percent (10%) or more between 1970 and 1980 and the city, county or urban county government requesting designation establishes to the satisfaction of the authority that either:

(i) Chronic abandonment or dereliction of commercial or residential structures exists in the area, or

(ii) Substantial tax arrearages of commercial or residential structures exist in the area.

Section 6. [Selection Preference]

(1) In each of the three (3) calendar years following the calendar year of the effective date of this Act, the authority may designate four (4) enterprise zones. In the fourth calendar year from the year of the effective date of this Act, the authority may designate two (2) enterprise zones. In deciding which areas should be designated as enterprise zones the authority shall give preference to:

(a) Areas with the highest levels of poverty, unemployment, and general distress;

(b) Areas which have the widest support from the government seeking designation, the community, residents, local business and private organizations; and

(c) Areas for which the government seeking designation has made or will make the greatest effort to encourage economic activity and remove impediments to job creation including but not limited to a reduction of tax rates or fees, an increase in the level or efficiency of local services and a simplification or streamlining of governmental requirements on employers or employees, taking into account the resources available to such government to make such efforts.

(2) Any designation of an area as an enterprise zone shall remain in effect during the period beginning on the date of designation and ending on December 31 of the twentieth year following designation.

(3) The authority may remove designation of any area as an enterprise zone if such area no longer meets the criteria for designation as set out in this Act or by regulation adopted by the authority pursuant to this Act, provided that no designation shall be removed less than ten (10) years from the date of original designation.

Section 7. [Enterprise Zone Authority]

(1) For the purposes of carrying out the provisions of this Act, there is hereby created the enterprise zone authority of (State) consisting of nine (9) members. The authority shall be appointed as follows: one (1) member appointed by the governor from a list of three (3) persons nominated by the labor management advisory council; one (1) member appointed by the governor from a list of three (3) persons nominated by the (State) municipal league; one (1) member appointed by the governor from a list of three (3) persons nominated by the (State) association of counties; one (1) member appointed by the governor who is qualified to represent the interests of (State's) small business community; two (2) members appointed by the governor to serve at-large; the Speaker of the House of Representatives or his designee; the President Pro Tempore of the Senate or his designee; and the Secretary of Commerce.

(2) The members shall serve a term of four (4) years, except that the first appointments shall be made as follows: three (3) for a term of one (1) year; two (2) for a term of two (2) years; two (2) for a term of three (3) years; and two (2) for a term of four (4) years.

(3) All members shall serve until such time as their successors are qualified and appointed.

(4) The Department of Commerce shall serve as staff for the authority and carry out the administrative duties and functions as directed by the authority.

Section 8. [Administration of Zones]

The authority shall administer this Act and shall have the following powers and duties:

(1) To establish criteria for determining which areas qualify as enterprise zones;

(2) To monitor the implementation of this Act and submit reports evaluating the effectiveness of the program and any suggestions for legislation to the governor and general assembly by October 1 of any year preceding a regular session of the general assembly;

- 1 (3) To conduct a continuing evaluation program of enter-
- 2 prise zones;
- 3 (4) To promulgate all necessary rules and regulations in
- 4 accordance with the provisions of (State Revenue Code) to carry
- 5 out the purposes of this Act;
- 6 (5) To assist units of local government in obtaining federal
- 7 status as an enterprise zone;
- 8 (6) To assist any qualified employer in obtaining the bene-
- 9 fits of any incentive or inducement program provided by law and to
- 10 certify qualified employers to be eligible for the benefits of this Act;
- 11 (7) To assist the governing authority of an enterprise zone
- 12 in obtaining assistance from any other agency of state government,
- 13 including, but not limited to, assistance in providing training and
- 14 technical assistance to qualified businesses within a zone.

15 Section 9. *[Zone Assistance]*

- 16 (1) The authority shall establish and design for public dis-
- 17 play a master business license which shall certify that the qualify-
- 18 ing business has obtained all necessary state agency permits, li-
- 19 censes, certificates, approvals, registrations, charters or any other
- 20 form of permission required by law, including agency rule, to en-
- 21 gage in business in a zone.
- 22 (2) The authority shall provide information and appropri-
- 23 ate assistance to persons desiring to locate and engage in business
- 24 in a zone regarding the state licenses, permits, certificates, approv-
- 25 als, registrations, charters, and any other forms of permission re-
- 26 quired by law to engage in business in the State.
- 27 (3) Irrespective of any authority delegated to the authority
- 28 to implement the provisions of this Act, the authority for determin-
- 29 ing if any requested licenses, permits, certificates, approvals, reg-
- 30 istrations, charters, or any other form of permission required by
- 31 law to be issued shall remain with the agency otherwise legally au-
- 32 thorized to issue the license.

33 Section 10. *[State and Local Income Taxes]*

- 34 (1) Qualified zone businesses, whether corporate or other-
- 35 wise, shall receive a tax credit equivalent to 50 percent of the state
- 36 and local tax on their income. If such businesses are zone locations
- 37 of corporations filing consolidated income tax returns, such tax
- 38 credit shall be calculated considering the income of the zone loca-
- 39 tion alone, and then shall be applied to the tax liability of the cor-
- 40 poration filing the consolidated return.

- 1 (2) State and local income taxes on capital gains from the
- 2 sale of qualified property within the zone are hereby abolished.
- 3 (3) Employees shall receive, for the purpose of determining
- 4 their state and local income taxes, a deduction of up to \$10,000 for
- 5 wage income earned from employment within an enterprise zone.

6 Section 11. *[Sales Taxes]*

- 7 (1) All sales taxes in transactions by qualified businesses
- 8 shall be reduced by 100 percent.
- 9 (2) Building materials used in remodeling, rehabilitation
- 10 or new construction in a zone and new and used equipment and
- 11 machinery purchased by qualified businesses for use in the zone,
- 12 certified by the purchaser to be used for these purposes, shall be
- 13 exempt from sales and use taxes.

14 Section 12. *[Property Taxes]*

- 15 (1) All property taxes within an enterprise zone shall be re-
- 16 duced by 50 percent ratably over the first two years after the zone is
- 17 established and in operation.
- 18 (2) Motor vehicles purchased and used by qualified busi-
- 19 nesses located in the enterprise zone, shall be exempt from any
- 20 motor vehicle usage tax.
- 21 (3) Any city, county, or urban county government may, by
- 22 act of the governing body of appropriate jurisdiction, adopt, for
- 23 the purposes of revenues received by such city, county or urban
- 24 county government, an annual ad valorem tax rate on qualified
- 25 property within a zone of one-tenth of one cent (\$.001) upon each
- 26 one hundred dollars (\$100) of value.

27 Section 13. *[Unemployment Insurance Taxes]*

- 28 All unemployment insurance taxes on qualified businesses
- 29 shall be reduced by 100 percent. The state shall hereby appropriate
- 30 out of its general revenues amounts for the payment of unemploy-
- 31 ment insurance benefits equal to the amounts by which revenues
- 32 for such benefits are otherwise reduced by this section.

33 Section 14. *[Tax Exemption of Interest]*

- 34 All interest payments on loans made to qualified businesses
- 35 or on mortgage loans made on any property within an enterprise
- 36 zone shall be exempt from all state and local taxes, provided that
- 37 such loans were made after the enterprise zone was officially
- 38 established.

Section 15. *[Zone Investment Tax Credits]*

Any person living within or outside the enterprise zone who invests in a new zone business may deduct the full amount of the investment from his or her personal income subject to state taxation, in the same year that the investment was made, subject to a limit of \$30,000.

Section 16. *[Operating Losses]*

For state tax purposes, qualified enterprise zone businesses may carry forward their net operating losses, including casualty losses, for so long as the zone in which they are located shall be designated.

Section 17. *[Duration of Tax Reductions]*

All tax reductions provided by this act applying within a particular enterprise zone are to continue for 20 years after the zone is established. The reductions are then to be phased out ratably over the next 5 years. Any qualified business which is relying on the particular enterprise zone during this 5 year period to meet the criteria for a qualified business shall have the reductions applied to it reduced accordingly, with the reductions completely phased out after the 5 year period.

Section 18. *[Rules and Regulations]*

(1) In order to carry out the purposes of this Act, the administrative body (Department of Community Development or other appropriate agency) which promulgates administrative regulations for enterprise zones, may exempt designated zones from the provisions of any regulation, in part or in whole, which has been promulgated by another state or local agency. The rules and regulations dealing with enterprise zones promulgated by the Department under this Act shall supercede all state and local laws or regulations dealing with the same area.

(2) Enterprise zones shall not be exempted from the provisions of any regulation if such exemptions endanger the health and safety of the citizens of the State.

Section 19. *[State and Local Laws]*

(1) State and local laws controlling prices, rents, wages, building codes and zoning shall not be effective in enterprise zones. State and local laws controlling interest payments on loans shall not be effective when the loan is made to a qualified zone business.

(2) For the purpose of increasing employment opportunities for disadvantaged youths, the State minimum wage may be lowered to 75% of its current level for youths under 21 years of age who live and work in the enterprise zone.

(3) State and local laws requiring individuals to obtain any form of license before they may practice a particular occupation shall not apply to individuals engaged in such occupation solely within an enterprise zone, subject to the limitation provided in clause (2) of Section 18 of this Act. Such individuals may, however, obtain the usual license for their occupation if they desire and if they meet the usual standard.

Section 20. *[Neighborhood Enterprise Association Corporations]*

(1) Individuals residing in an enterprise zone may establish, under the provisions of this Act, a neighborhood enterprise association corporation. There shall be only one (1) such corporation for each geographic neighborhood area. The neighborhood area to which each corporation applies shall be defined by the incorporating residents.

(2) The incorporating residents shall draft a charter and by-laws for the association suitable for doing business in corporate form. The charter and by-laws shall describe the geographic neighborhood area to which the incorporating association applies, and the manner in which a stock interest in the corporation shall be offered to each resident of the neighborhood, contain provisions for amendment by a majority of stockholders, and authorize the corporation to engage in business only within the particular zone in which the neighborhood area of the corporation is located.

(3) The incorporating residents shall send to all eligible residents of the corporation's neighborhood area:

(a) An explanation of the proposed new corporation and their rights in it;

(b) A copy of the corporate charter and by-laws; and

(c) An offer of the stock interest to which each particular resident is entitled without any charge for such stock.

(4) The board of directors of the corporation may, upon approval of a majority of the members of the local legislative body of appropriate jurisdiction, apply to the authority for certification as a neighborhood enterprise association corporation. The authority shall not grant such status unless the corporation has complied with the requirements of this Act and such other requirements as may be

1 adopted by the authority by regulation. Upon granting certifica-  
 2 tion, the authority shall place the corporation's charter and by-laws  
 3 in a public file. The authority shall have power to revoke or suspend  
 4 certification, or any of the leases issued under subsection (5) of this  
 5 section, if the corporation fails to continue to comply with the re-  
 6 quirements of this Act. The authority shall give technical assistance  
 7 to zone residents attempting to start such corporations.

8 (5) All property within the neighborhood area of a certified  
 9 corporation which is owned by state and local government and  
 10 which is not in current use by such government shall be leased to  
 11 the corporation. The term of the lease shall not be less than ninety-  
 12 nine (99) years and the full amount of rental fees under such lease  
 13 shall not exceed one dollar (\$1). The lease may be renewed upon  
 14 expiration if the corporation has continuously complied with the  
 15 requirements of this Act.

16 (6) A certified corporation shall be exempt from any state  
 17 or local tax during the life of the zone in which it is located.

*Editors' note: The ALEC model enterprise zone bill has been designed to allow wide latitude in the structure of the enterprise zone and the range of financial incentives for it. Legislators should be aware that this model bill may need to be revised, amended, or otherwise adapted to the particular requirements of their state's statutes and codes governing taxation and regulations.*

## UTILIZATION OF PUBLIC ASSETS ACT

Congressman Larry Winn, Jr.

Over the last forty years, all levels of government have been engaged in a massive building program. Public buildings rose as bureaucracies expanded, civil engineers wove our highway system into a tapestry of productivity and other construction projects all increased as a healthy post-war economy produced revenue for Congress, governors, county supervisors, and mayors to spend. During this building boom, governments bought parcel after parcel of land.

Not every parcel of land was utilized, however, and some were never used for their intended purpose. What we see after decades of government land acquisition is a wealth of real estate being wasted or underutilized at a time when public officials anguish over how to finance their budgets.

Land is not all that is being wasted. Overly ambitious procurement policies, redesigned programs, and changed priorities have resulted in states having unused or underutilized personal property as well.

Permitting valuable property to languish on state property rolls is a luxury no one can afford anymore. If budget deficits accrue at the federal level, Congress has the luxury of borrowing more money or encouraging the Federal Reserve to print more money; states do not. At this time, many states find they can no longer pay for the programs that became increasingly generous as private sector productivity expanded the tax base in the 1960s and inflation's "bracket creep" brought more tax revenue in the 1970s. Today, the private sector is just beginning to recover from the strain of heavy taxation and over-regulation that shackled its ability to produce, while the recent dramatic drop in inflation and the growing indexing movement now deny the automatic, invisible tax increases of the '70s. In short, it is a time when the states must take stock.

A possible gold mine awaits some states if they follow three steps with regard to their property: *inventory* and *appraise* with an eye toward *selling* surplus assets. Following is a set of guidelines to offer information and advice on how states can raise revenue by selling their unused property.

### Inventory

One of the great impediments to selling state property is that there is a dearth of information on state (and all government) title holdings. Surplus property departments are often understaffed, buried under red tape, vested with no significant priority in hierarchy, and, generally, low

# An Act

SENATE BILL NO. 95.

BY SENATORS Rizzuto, Brandon, Durham, Lee, Donley, P. Powers, Wells, Allard, Baca, Beatty, Beno, Callihan, Fenlon, Gallagher, Glass, Groff, McCormick, Mendez, Peterson, R. Powers, Sandoval, Wattenberg, Bishop, Fowler, Hefley, Martinez, Meiklejohn, Noble, Strickland, and Traylor; also REPRESENTATIVES Gillis, Trujillo, Mielke, Carpenter, T. Hernandez, Armstrong, M.C. Bird, Bond, Bowen, Brown, Bryan, Campbell, Dambman, Entz, Grampsas, Grant, Hamlin, P. Hernandez, Herzog, Johnson, Kirscht, Knox, Kopel, McInnis, Minahan, Owens, Reeser, Singer, Tanner, Webb, D. Williams, Artist, Bath, Bledsoe, Faatz, Hume, Markert, Neale, Philips, Romero, Taylor-Little, and Wright.

CONCERNING THE ENACTMENT OF THE "URBAN AND RURAL ENTERPRISE ZONE ACT", AND PROVIDING FOR A PILOT PROGRAM FOR DESIGNATED ENTERPRISE ZONES.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Title 39, Colorado Revised Statutes, 1982 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW ARTICLE to read:

## ARTICLE 30

### Urban and Rural Enterprise Zone Act

39-30-101. Short title. This article shall be known and may be cited as the "Urban and Rural Enterprise Zone Act".

39-30-102. Legislative declaration. (1) The general assembly hereby finds and declares:

(a) That the health, safety, and welfare of the people of this state are dependent upon the continued encouragement, development, and expansion of opportunities for employment in

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

(c) A per capita income less than seventy-five percent of the state average for the most recent period for which data are available from the United States census bureau or the department of local affairs.

(2) The executive director of the department of local affairs shall determine whether an area meets the criteria specified in subsection (1) of this section based on the most recent statistics available from the state demographer appointed by the such executive director.

(3) In proposing an area for designation as an enterprise zone, the local government shall submit to the executive director of the department of local affairs a development plan. This plan shall include information describing the following items:

(a) The boundaries of the proposed zone;

(b) The proposed zone's potential for business development and job creation;

(c) How the proposed zone will support and be consistent with maintenance of an economically viable central business district;

(d) Measures which will be undertaken by local government and the private sector to support the business development and job creation objectives of the zone;

(e) Any other pertinent information the executive director may require.

(4) The executive director of the department of local affairs, after consultation with the executive directors of the department of labor and employment and the department of revenue, may approve the designation of not more than eight areas as enterprise zones. Not more than two of these zones shall be in municipalities with a population of more than one hundred thousand, and not more than six shall be in areas predominantly rural in character with a population of fifty thousand or less. The executive director of the department of local affairs shall require the local governments which submitted development plans pertaining to areas selected as enterprise zones to continue to submit annual documentation of efforts to improve conditions in those areas and the results of those efforts. Such annual documentations shall include, but need not be limited to, the number of jobs created in the area, the number of jobs retained in the area, and an analysis of capital investment in the area.

39-30-104. Credit against tax - investment in certain

affected. Nothing in this article shall affect any zoning measure or labor-management agreement in effect when an enterprise zone is established or adopted or entered into after the establishment.

39-30-108. Rules and regulations. In accordance with article 4 of title 24, C.R.S., the executive director of the department of revenue shall promulgate rules and regulations for the implementation of sections 39-30-104 to 39-30-106.

39-30-109. Repeal. This article is repealed, effective July 1, 1990.

SECTION 2. 39-22-507.5, Colorado Revised Statutes, 1982 Repl. Vol., as amended, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

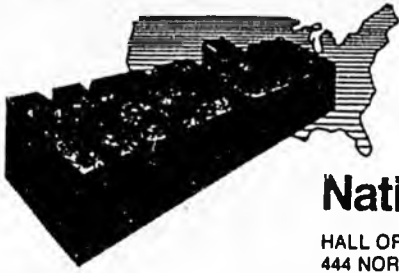
39-22-507.5. Credits against tax - investment in certain property. (12) In lieu of the amount of the investment tax credit allowed by subsection (1) of this section, a person who has invested in property used in an enterprise zone, as designated pursuant to section 39-30-103, shall be allowed a credit in the amount designated in section 39-30-104, subject to the terms and conditions of that section.

SECTION 3. 39-22-508.3, Colorado Revised Statutes, 1982 Repl. Vol., is amended BY THE ADDITION OF A NEW SUBSECTION to read:

39-22-508.3. Special credit available - new business facility - new employees. (5) In lieu of the amount of the special tax credit allowed by this section, a taxpayer who establishes a new business facility located in an enterprise zone, as designated pursuant to section 39-30-103, shall be allowed a credit in the amount designated in section 39-30-105, subject to the terms and conditions of that section.

SECTION 4. 39-26-114 (11) (a), Colorado Revised Statutes, 1982 Repl. Vol., is amended to read:

39-26-114. Exemptions - disputes - credits or refunds. (11) (a) EXCEPT AS ALLOWED IN SECTION 39-30-106, effective July 1, 1979, purchases of machinery or machine tools in excess of one thousand dollars by a person engaged in manufacturing to be used in Colorado directly and exclusively by such person in manufacturing tangible personal property, for sale or profit, are exempt from taxation under this part 1 to the extent such purchases do not exceed one hundred thousand dollars in calendar year 1979, two hundred thousand dollars in calendar year 1980, three hundred thousand dollars in calendar year 1981, four hundred thousand dollars in



## National Association of State Development Agencies

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MILES FRIEDMAN  
Executive Director

NASDA STATE ENTERPRISE ZONE ROUNDUP

*In consideration of HB 15*

DECEMBER 1986

*From: Rep. Terry Martin*

## INTRODUCTION

As federal and state money for economic development became scarce in the early 1980's, states searched for new ideas to encourage growth in economically lagging areas. One of these new ideas, originally introduced in Congress in 1981, was the enterprise zone concept.

Although federal legislation has yet to pass, it is the states which have provided a living laboratory for the enterprise zone concept. Since 1982, thirty-two states have adopted enterprise zone legislation or administrative enterprise zone policies. Enterprise zones are geographical areas designated by the state, generally based on such factors as Urban Development Action Grant (UDAG) criteria, population decline, and unemployment and poverty levels. Qualified businesses located in these areas are eligible to receive certain state and local tax credits, rebates and exemptions as a benefit of locating and promoting economic development within the zone. In addition to tax relief, states and localities may also provide qualified businesses with regulatory relief, fee waivers, technical assistance, preferential targeting of funds from existing state programs or industrial revenue bonds and access to revolving loan funds and other sources of capital.

Aside from the state and local tax incentives for business development and expansion, enterprise zone designation can also benefit area growth by stimulating the community to mobilize for economic development. Localities can capitalize upon the zone designation as a marketing opportunity for their area by emphasizing the positive climate for business.

NASDA has been following state enterprise zone programs since the beginning, holding annual Enterprise Zone Task Force Roundtables for enterprise zone program managers since 1982, and publishing enterprise zone case studies and the NASDA Enterprise Zone Roundup.

This year's Roundup has been expanded to include a more detailed summary chart for the states. The chart covers some of the tax, regulatory and capital financing incentives offered by the states. Most of the incentives offered are not exclusively limited to zone-based businesses, but there are some instances in which state program funds are preferentially targeted to zones. The individual state write-ups following the summary chart provide a greater level of detail, including a listing of all of the incentives available to qualified businesses, zone eligibility criteria and a contact person for each program.

Nancy Augustine and Dana Elfin  
Research Associates  
December, 1986

TAX INCENTIVES

PROPERTY TAX REDUCTION/ABATEMENT  
 CREDIT FOR INTEREST PAID ON LOANS  
 INVESTMENT CREDIT FOR REAL IMPROVEMENTS  
 SALES/SALES & USE TAX  
 EMPLOYER INCOME TAX CREDIT  
 EMPLOYEE INCOME TAX CREDIT  
 JOB CREATION/WAGE CREDIT  
 CREDIT FOR SELECTIVE HIRING

State

Alabama								
Arkansas			●	●		●		
California	●		●	●	●	●	●	
Colorado			●	●				
Connecticut	●			●	●		●	●
Delaware			●		●		●	●
Florida	●	●	●	●	●		●	●
Georgia	●							
Hawaii						●		
Illinois	●	●	●	●	●			●
Indiana	●	●			●	●	●	
Kansas			●	●	●		●	●
Kentucky		●		●				
Louisiana				●	●		●	●
Maryland	●				●		●	●
Michigan	●			●	●			
Minnesota	●	●	●	●	●	●	●	
Mississippi				●	●		●	
Missouri	●		●		●		●	●
Nevada								
New Jersey				●	●		●	●
New York			●	●				●
Ohio	●				●			●
Oklahoma			●	●				
Oregon	●							
Pennsylvania	●							
Rhode Island	●				●	●	●	●
Tennessee		●						
Texas				●				
Vermont							●	●
Virginia				●	●			
West Virginia		●		●				

Compiled by Nancy Augustine

CAPITAL FINANCING

MISCELLANEOUS INCENTIVES

State

IRB/IDB ALLOCATION PREFERENCE

TAX INCREMENT FINANCING

VENTURE CAPITAL FUNDS

DIRECT STATE LOANS

INFRASTRUCTURE/PUBLIC SERVICE IMPROVEMENTS

PROGRAM TARGETING

REGULATORY RELIEF

State	IRB/IDB ALLOCATION PREFERENCE	TAX INCREMENT FINANCING	VENTURE CAPITAL FUNDS	DIRECT STATE LOANS
Alabama				
Arkansas				
California	●			●
Colorado				
Connecticut			●	●
Delaware				
Florida	●	●		●
Georgia				
Hawaii				
Illinois	●			
Indiana		●		●
Kansas		●		
Kentucky				
Louisiana				●
Maryland		●	●	●
Michigan				
Minnesota				
Mississippi				
Missouri				
Nevada	●	●		
New Jersey				●
New York				
Ohio				
Oklahoma				●
Oregon				
Pennsylvania			●	●
Rhode Island				
Tennessee				
Texas		●		●
Vermont				●
Virginia				
West Virginia				

State	INFRASTRUCTURE/PUBLIC SERVICE IMPROVEMENTS	PROGRAM TARGETING	REGULATORY RELIEF
Alabama	●		●
Arkansas			●
California	●	●	●
Colorado			
Connecticut			
Delaware			
Florida			
Georgia			
Hawaii			
Illinois		●	●
Indiana		●	●
Kansas		●	●
Kentucky			●
Louisiana		●	●
Maryland		●	
Michigan			
Minnesota			
Mississippi			
Missouri			●
Nevada	●		●
New Jersey		●	●
New York			
Ohio			●
Oklahoma			
Oregon	●	●	●
Pennsylvania	●		
Rhode Island		●	●
Tennessee		●	●
Texas		●	●
Vermont	●	●	
Virginia			●
West Virginia			

Compiled by Nancy Augustine

ALABAMA

PROGRAM STATUS:

State-wide legislation has not been passed. All Class I cities in the state are allowed to enact local legislation, however. Two cities, Prichard and Birmingham, have passed local legislation. State-level enterprise zone legislation is currently being prepared by the Alabama State Legislature. Local tax incentive legislation is currently being reviewed and revised by the City of Prichard.

NUMBER OF ZONES:

Unlimited.

ELIGIBILITY CRITERIA:

(City of Prichard)

- 50 percent of employees hired are residents of Prichard.
- 10 percent of employees were receiving public aid before their hiring; or were classified as unemployable by traditional standards.

INCENTIVES FOR QUALIFIED BUSINESSES:

(City of Prichard)

- Tax relief.
- Regulatory relief.
- Public service improvements.
- Technical assistance to new and existing businesses.

UPDATE:

As of August, 1985, only the city of Prichard in Mobile County had created a local enterprise zone. 2.2 square miles of the downtown area has been designated as a zone. Under Prichard's legislation, designation is valid for up to twenty years and secondary enterprise zones may be added by amendment. Birmingham has local legislation but has not created a zone. Montgomery recently passed local legislation which may create up to two zones.

STATE CONTACT:

William Wallace, Section Director  
Economic Development Section, State Planning Division  
Department of Economic and Community Affairs  
3465 Norman Bridge Road  
P.O. Box 2939  
Montgomery, Alabama 36105-0939  
(205) 284-8777 or 8770

ARKANSAS

PROGRAM STATUS:

Active. Legislation approved 1983.  
Program operational, 1984.

NUMBER OF ZONES:

No more than 25 percent of the state's enumeration districts can be designated. There are 860 eligible enterprise zones.

ELIGIBILITY CRITERIA:

- Considered by enumeration districts:
  - rate of unemployment
  - percent of households receiving public assistance
  - percent of households below poverty level
- Local commitment consisting of:
  - adequate police protection
  - targeting of employment training or community development funds
  - certifying employers' training or community development
  - review existing regulations which discourage business development
  - consider waiver of local sales or use tax for eligible activities

INCENTIVES FOR QUALIFIED BUSINESSES:

- Refund on sales and use tax for construction materials, machinery and equipment.
- \$2000 credit on corporate income tax for each net new job created.

UPDATE:

325 zones have been approved.  
160 businesses have qualified to receive the tax credits (as of August 31, 1986).

STATE CONTACT:

Oscar Rodriguez  
Arkansas Industrial Development Commission  
One Capitol Mall  
Room 4B.210  
Little Rock, Arkansas 72201  
(501) 371-5123

## CALIFORNIA

### PROGRAM STATUS:

Active. Legislation approved, 1985.  
Program operational, October 15, 1986.  
15 year program.

### NUMBER OF ZONES:

California has two enterprise zone programs.

Under the Enterprise Zone program, ten zones have been designated.

Under the Employment Incentive Area program, three areas have been designated and six more areas are awaiting designation.

The basic difference between the two programs is that under the Employment Incentive Area Program, businesses must qualify for the program based on hiring or ownership criteria, while under the Enterprise Zone program, businesses are eligible based on business location in the zone.

### ELIGIBILITY REQUIREMENTS:

Employment Incentive Area program requires a population of 4000 or more in contiguous block groups which exceed 150 percent of national unemployment and poverty rates and meet specific UDAG "pocket of poverty" criteria.

Enterprise Zone Program requires a population of 4000 in contiguous census tracts which meet UDAG criteria.

Designations are based on competitive evaluations of preliminary and final applications and full EIR for the area from qualifying local governments. Evaluation stresses the effectiveness of local program incentives.

### INCENTIVES FOR QUALIFIED BUSINESSES:

#### Both Programs

- Sales Tax Credit on machinery purchases for use in zone or area; \$1.2 million annual maximum.
- Fifteen year net operating loss carryover for all zone/area firms.
- Expensing of Depreciable Property: For specific property purchases, deductions may be taken in year of purchase; \$10,000 (Enterprise Zone) or \$40,000 (Employment Incentive Area) annual maximum.
- Non-Taxable Investment in Qualified Firms: Interest income earned by lenders loaning to zone/area firms is tax free.

- State Contract Procurement Preference for all zone/area firms.
- Small Business Financing Priority: \$50,000 to \$350,000.

#### Enterprise Zone Program

- Hiring Tax Credit: \$5000 annual maximum per new employee; tied to job training programs; credits decrease over five years.
- Employee Tax Credit: \$450 annual maximum for workers earning less than \$16,000.

#### Employment Incentive Area Program

- Hiring Credit: \$1200 annual maximum per new employee; tied to unemployment; smaller second year credit.

#### Local Incentives

- Low Cost Financing
- Public Infrastructure
- Fee Waivers

#### UPDATE:

Three new areas to be designated in 1987. Clean-up legislation expected to improve program efficiency - 1987.

#### STATE CONTACT:

Kurt Chilcott  
Enterprise Zone Program Manager  
Department of Commerce  
1121 L Street, Suite 600  
Sacramento, California 95814  
(916) 324-8211

COLORADO

PROGRAM STATUS:

Active. Legislation signed April, 1986.  
Program to be operational, 1986.

NUMBER OF ZONES:

Maximum of eight zones (two urban zones and six rural zones).  
Zone designations are expected to be made in September, 1986.

ELIGIBILITY CRITERIA:

- An unemployment rate at least 25 percent above the state average for the most recent year in which data is available.
- A population growth rate less than 25 percent of the state average for the most recent five years in which the data is available.
- Per capita income less than 75 percent of the state average for the most recent period.

INCENTIVES FOR QUALIFIED BUSINESSES:

- Tripled investment tax credit.
- \$500 credit per hire for any zone-based business adding to its workforce in a new or expanded facility.
- Exemption from state sales and use tax on expenditures for new machinery to be used in a zone-based manufacturing business.

STATE CONTACT:

Evan Metcalf or Pat Coyle  
Community Economic Development Staff  
Department of Local Affairs  
Division of Commerce & Development  
1313 Sherman Street, Room 523  
Denver, Colorado 80203  
(303) 866-2205

## CONNECTICUT

### PROGRAM STATUS:

Active. Program established 1982.

### NUMBER OF ZONES:

Total of ten zones (includes four authorized new zones);  
four in cities over 80,000,  
six in cities under 80,000.

### ELIGIBILITY CRITERIA:

- New zones must be located in municipality classified as distressed under UDAG standards.
- One census tract within the zone must have one of the following:
  - 25 percent or more of the population below poverty level,
  - 25 percent or more of the population is on welfare, or:
  - an unemployment rate twice that of the state average.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- \$1,500,000 available for small businesses in venture capital loans with a \$200,000 ceiling.
- 50 percent state corporate tax reduction for 10 years for manufacturing or "export commercial" firms employing 30 percent of their new hires from JTPA eligible workers or zone residents.
- Assessments abated over a 7 year period for new construction or rehabilitation of retail or commercial enterprises.
- \$1,000 provided to manufacturers for each new job created, provided 30% of new employees are JTPA or eligible or zone residents.
- Purchases of replacement parts for manufacturing equipment are exempt from sales tax.
- 80 percent property tax abatement for manufacturing or "export commercial" firms for 5 years.
- Employment training vouchers for JTPA eligible workers or zone residents.
- \$500 provided to "export commercial" firms for each new job created, provided 30 percent of new employees are JTPA eligible or zone residents.
- Real estate conveyance tax exemption.

MISCELLANEOUS:

Data current as of September, 1985:

New Jobs created: 4,304; Jobs Retained: 4,219;  
Total Jobs: 8,523.

Types of projects: (by number of projects)

-Industrial -	67
-Commercial/Retail -	220
-Residential -	144
-Mixed Use -	<u>22</u>
TOTAL	453

STATE CONTACT:

Anthony P. Brescia  
Assistant Development Agent  
Department of Economic Development  
210 Washington Street  
Hartford, Connecticut 06106  
(203) 566-3322

DELAWARE

PROGRAM STATUS:

Active. Legislation approved, 1984.  
Program operational, 1985.

NUMBER OF ZONES:

A total of 48 zones, including 30 low-income targeted census tracts and 18 publicly-held zones.

ELIGIBILITY CRITERIA:

Designated areas based on distress criteria publicly-held lands for economic development.

INCENTIVES FOR QUALIFIED BUSINESSES:

- Corporate income tax credit: \$500 per \$100,000 investment and \$500 per job created. (Minimum investment to qualify, \$200,000; minimum of five permanent jobs created).
- Manufacturers and wholesalers: exempt from gross receipt tax for five years or; liable for only 10 percent sixth year through 100 percent in the sixteenth year.

UPDATE:

Forty-eight targeted areas have been designated.

MISCELLANEOUS:

Delaware's enterprise zones are targeted low-income districts that are part of general Tax Incentive legislation passed in August, 1984, effective January, 1985.

STATE CONTACT:

Dorothy Sbriglia  
Senior Business Development Representative  
Delaware Development Office  
99 Kings Highway  
P.O. Box 1401  
Dover, Delaware 19903  
(302) 736-4271

## FLORIDA

### PROGRAM STATUS:

Active. Original legislation signed in 1981 and sunsets on December 31, 1986. At that time, all originally-designated zones will lose their designations and will have to reapply for designation under whatever new program is signed into law.

Proposed legislation for 1987 is expected to create a maximum of 30 new zones in the state.

### NUMBER OF ZONES:

Frozen at 136 as of July 1, 1984.

### ELIGIBILITY CRITERIA:

- Considered:
  - Housing conditions
  - Per capita income
  - Unemployment
  - Per capita local taxes
  - Percent elderly and youth

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Tax credits for:
  - new or expanded businesses.
  - contributions to Community Development Projects.
  - businesses which employ zone residents whose salaries are less than \$18,000/year.
- Community Development Corporation Support and Assistance Program provides loans and grants to CDCs located in zones.

Incentives to be offered under the new legislation:

- Sales tax exemption on building material use in rehabilitation of real property in enterprise zones.
- Sales tax exemption for business equipment used in an enterprise zone.
- Credit against sales tax for job creation in enterprise zones.
- Sales tax exemption in enterprise zones.
- Enterprise zone jobs credit.
- Enterprise zone property credit.
- Community contribution tax credit.

### UPDATE:

Number of zones is currently 136, following incorporations of zones with contiguous boundaries.

MISCELLANEOUS:

Current legislation sunsets December 31, 1986; therefore, all current zones cease to exist after that date. New legislation has been passed which provides for the designation of thirty new zones, six in each of five population categories. The following new incentives have been established in conjunction with the new zones:

- Sales tax exemptions for building materials used in rehabilitation of real property in enterprise zones, for business equipment used in a zone, and for electrical equipment used in a zone.
- Credit against sales tax for job creation.
- State regulatory relief.
- Exemptions for municipal utility taxes and occupational license taxes.
- Insurance premium tax credits for donations to approved community development projects.

STATE CONTACT:

Priscilla Howard  
Community Assistance Specialist  
Department of Community Affairs  
State of Florida  
2571 Executive Circle East  
Tallahassee, Florida 32301  
(904) 488-7956

## GEORGIA

### PROGRAM STATUS:

Active. Incentives only apply to Metropolitan Atlanta.

### NUMBER OF ZONES:

Three in Atlanta. Zone designation valid for up to 25 years.

### ELIGIBILITY CRITERIA:

- The zone must be a purely industrial zone of a minimum land area of 50 acres.
- Percentage of households below the poverty level in the census tract in which the zone is located is at least double the average for Fulton county as a whole.
- Unemployment rate in the census tract in which the zone is located is at least double the average rate for Fulton County as a whole.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- City and County Inventory Ad Valorem Tax Exemption:
  - 100 percent exemption for the first five years of operation.
  - 80 percent exemption for the next five years;
  - 60 percent exemption for next five years;
  - 40 percent exemption for next five years;
  - 20 percent exemption for the last five years.
- City and County Real Property Ad Valorem Tax Exemptions:
  - 100 percent exemption for the life of the zone.

### UPDATE:

Atlanta has three zones. The zones are non-residential development areas located in distressed areas of the city.

### MISCELLANEOUS:

Georgia is considering adopting state-level enterprise zone legislation but no action has been taken yet.

STATE CONTACT:

Walter R. Huntley, Jr.  
President  
Atlanta Economic Development Corporation  
230 Peachtree Street, N.W.  
Suite 1810  
Atlanta, Georgia 30303  
(404) 658-7000

or:

Executive Assistant  
Georgia Department of Community Affairs  
40 Marietta, N.W.  
8th Floor  
Atlanta, Georgia 30303  
(404) 656-3836

## HAWAII

### PROGRAM STATUS:

Active. Legislation signed April, 1986.  
Program to be operational, 1987.

### NUMBER OF ZONES:

Maximum of 24 zones. Only four zones may be designated within first year (by April, 1987), then six in each of four counties.

### ELIGIBILITY CRITERIA:

- Twenty-five percent or more of the population of the area shall have incomes below eighty percent of the median income of the county.

or:

- An unemployment rate 1.5 times the state average.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- 80 percent income tax abatement the first year, decreasing 10 percent each year thereafter over the next six years.
- 80 percent state unemployment tax reduction the first year, decreasing 10 percent each year thereafter the next six years.
- Elimination of the general excise tax on the gross proceeds from all items sold by a qualified business in the enterprise zone. The exemption shall extend for a period not to exceed seven years. The tax is 4 percent on retail sales and 0.5 percent on all other intermediate sales level.

### MISCELLANEOUS:

Qualified businesses are defined as:

- A business which begins the operation of a trade or business within the enterprise zone;
- During each taxable year, has at least fifty percent of the business' gross receipts attributable to the active conduct of trade or business within the enterprise zone; and
- Forty percent or more of the employees employed at the business' establishment or establishments located within the enterprise zone have incomes less than 80 percent of the median income of the county prior to employment.

or:

- A business is actively engaged in the conduct of a trade or business in an area immediately prior to an area being designated an enterprise zone;
- meets the requirement of fifty percent of gross receipts attributable to active conduct of business or trade within the enterprise zone.
- Increases the average number of full-time employees employed

at the business' establishment or establishments located within the enterprise zone by at least 10 percent over the preceding year's employment with not less than forty percent of the increase being employees whose median income is less than 80 percent of the median income of the county prior to employment.

The State does not hold a competition for zone designation, but reviews county designation plans to assure that the localities themselves have made an adequate commitment to redevelopment and are offering worthwhile local incentives.

STATE CONTACT:

Thomas J. Smyth, Head  
Business and Industry Development  
Department of Planning and Economic Development  
P.O. Box 2359  
Honolulu, Hawaii 96804  
(808) 548-4608

## ILLINOIS

### PROGRAM STATUS:

Active. Program operational in 1983.

### NUMBER OF ZONES:

A maximum of forty-eight zones may be designated during the years 1983 - 1988. Legislation is pending to increase the allowable number of zones to sixty through 1988. Zone benefits are valid for up to twenty years, as set by local ordinance.

Forty-seven zones had been designated as of November, 1986.

### ELIGIBILITY CRITERIA:

- Low income area - 70 percent of the households in the area have incomes equal to or less than 80 percent of the median household income of the larger geographic area in which the zone is located.
- The poverty rate for each census tract, minor civil division or county division which contains any part of the proposed zone was at least 20 percent as of the 1980 census.
- Suffered a population decrease of at least twenty percent between 1970 and 1980 as determined by the 1980 census.
- Experienced an average unemployment rate of at least 120 percent of the state average for the most recent twelve month period for which data is available, as reported by the Illinois Bureau Employment Security.
- Job creation - Substantial employment opportunities by creating or retaining a minimum of 1,000 jobs due to an investment of at least \$100 million.

### INCENTIVES FOR QUALIFIED BUSINESSES:

#### State Incentives:

- Permit loan institutions to deduct certain interest payments on their state taxes.
- State investment tax credit of 0.5% on new investments.
- \$100 million in revenue bonds for enterprise zones.
- Enterprise Zone Training Fund - A federal \$1.5 million dollar grant under the Job Training Partnership Act pays for on-the-job training, classroom training or a combination of both, to enable dislocated workers to be hired and trained for jobs in enterprise zones.

- ① Dividends from corporations conducting substantially all their business in a zone are exempt from state income tax.
- ① Job Tax Credit - \$500 income tax credit for each eligible dislocated worker hired. Can be carried forward for five years.
- ① Sales Tax Exemption - retailers can deduct sales tax on building materials used in a zone.
- ① Utility Tax Relief - utility tax exemptions for up to twenty years for businesses in a zone that make investments that lead to the creation of 200 jobs or the retention of 1,000 jobs.
- ① Machinery and Equipment Sales Tax Exemption - exemption for businesses that create 200 jobs or retain 2,000 jobs.

Local Incentives:

- ① Property tax abatement on building improvements or new construction.
- ① Local sales tax relief on building material purchases.
- ① Regulatory streamlining.
- ① Waiver of building permit and certain other fees.
- ① Homesteading and shopsteading programs.
- ① Targeting of local resources and applicable federal programs.

STATE CONTACT:

Jeffrey Johnson  
 Program Manager  
 Department of Commerce and Community Affairs  
 620 East Adams Street  
 Fifth Floor  
 Springfield, Illinois 62701  
 (217) 785-6128

or:

Marci Buettgen  
 Department of Commerce and Community Affairs  
 100 West Randolph, Suite 3-400  
 Chicago, Illinois 60601  
 (312) 917-6316

## INDIANA

### PROGRAM STATUS:

Active. Program operational in 1983.

### NUMBER OF ZONES:

Maximum of ten. Ten zones have been designated.

### ELIGIBILITY CRITERIA:

- 25 percent of the households are below poverty level or unemployment is 150 percent of the state average.
- Population is between 2,000 and 8,000.
- Area has a continuous boundary between .75 and three square miles.
- Property is suitable for development of a mix of commercial, industrial and residential use.
- An Urban Enterprise Association exists.
- Local government provides specified economic development incentives.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Five percent tax credit on interest from loans to firms in the zone.
- Ten percent tax credit on employer income tax on employee wages.
- Property tax credits
- Investment by SBIC, MESBIC, and the Corporation for Innovation Development for zone businesses.
- Tax increment financing
- Priority for neighborhood assistance funds
- Thirty percent equity investment credit against state personal income taxes for persons committing their own capital to a zone-based business.

### UPDATE:

Ten zones have been designated. First round: Michigan City, South Bend, Fort Wayne, Anderson, Richmond, Evansville. Second round: Hammond, Gary, Elkhart, Madison.

### MISCELLANEOUS:

Jobs Committed: 5,538  
Jobs Filled: 4,527  
Jobs Retained: 4,854  
Jobs For Residents: 1,716  
Total New Business: 175  
Business Expansions: 109  
Total Zone Investment: \$342 million

STATE CONTACT:

Diane Lupke  
Enterprise Zone Director  
Indiana Department of Commerce  
One North Capitol, Suite 700  
Indianapolis, Indiana 46204  
(317) 232-8787

## KANSAS

### PROGRAM STATUS:

Active. Program operational in 1983.

### NUMBER OF ZONES:

Unlimited. 91 zones designated to date.

### ELIGIBILITY CRITERIA:

- Within a city or established Industrial Park.
- Maximum of 25 percent of land area of jurisdiction.
- Maximum of 25 percent of population of jurisdiction.
- Widespread unemployment, poverty and general distress.
- UDAG eligible or 1 of the following:
  - Loss of 10 percent of the population between 1970 and 1980;
  - 70 percent of the residents have incomes less than 80 percent of the median family income;
  - Unemployment is 1 1/2 times the state average for the last 18 months.
- At least one local incentive.
- Narrative from city defining their use of the zone.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Sales tax refunds for the cost of machinery, equipment, construction or modernization.
- Tax increment financing available.
- Job tax credit, (10 years):
  - \$350 for each employee who lives in the state;
  - \$500 for each employee that meets the definition of disadvantaged.
- Investment tax credit of \$350 for each \$100,000 in qualified new investment.
- Deregulation.
- Targeting of state programs, funds and services.
- Local incentives.

### UPDATE:

Ninety-one zones have been designated.

STATE CONTACT:

Nancy McCabe  
Community Development Representative  
Division of Community Development  
Department of Economic Development  
503 Kansas Avenue, 6th Floor  
Topeka, Kansas 66603  
(913) 296-3485

## KENTUCKY

### PROGRAM STATUS:

Active.

### NUMBER OF ZONES:

Seven zones have been designated. A maximum of seven zones may be designated.

### ELIGIBILITY CRITERIA:

- Areas of pervasive poverty, unemployment and economic distress.
- Decrease in population.
- A continuous boundary.
- Local government participation.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Money made from the sale of qualified property is exempt from state income tax.
- Interest payments on loans made to businesses or on mortgages on qualified property within the zone are exempt from state taxes.
- Businesses are exempt from state tax on any materials purchased to build or remodel any structure, and for any equipment purchased for firms in the zone.
- Any vehicle purchased by a business in the zone is exempt from motor vehicle usage tax.
- Zone businesses may carry forward a net operating loss for state tax purposes for the 20-year life of the zone.
- Neighborhood Enterprise Associations with residents as members can lease for at least 99 years, at not more than \$1, all state and local property not in use. These Associations are exempt from all state and local taxes.

### MISCELLANEOUS:

In order to qualify for the credits, zone businesses must either: 1) raise hiring levels of zone residents by 20 percent, or, 2) raise capital investment levels in the zone by 20 percent.

JOB CREATION & RETENTION DATA:

New Business and Business Expansions: 132

New Jobs: 2,000 +

Job Created and Jobs Retained: 3,000 +

STATE CONTACT:

Sara Bell  
Enterprise Zone Coordinator  
Kentucky Commerce Cabinet  
Department of Economic Development  
Capital Plaza Tower  
Frankfort, Kentucky 40601  
(502) 564-7140

JOB CREATION & RETENTION DATA:

New Business and Business Expansions: 132

New Jobs: 2,000 +

Job Created and Jobs Retained: 3,000 +

STATE CONTACT:

Sara Bell  
Enterprise Zone Coordinator  
Kentucky Commerce Cabinet  
Department of Economic Development  
Capital Plaza Tower  
Frankfort, Kentucky 40601  
(502) 564-7140

## LOUISIANA

### PROGRAM STATUS:

Active. Legislation approved, 1981.  
Program operational, 1982.

### NUMBER OF ZONES:

745 zones have been designated. Twenty-five percent of the state's census tracts are eligible for zone designation.

### ELIGIBILITY CRITERIA:

- Urban and rural areas are eligible
- Consideration is given to:
  - unemployment
  - per capita income
  - migration
  - residents receiving public assistance
- Local government provides additional incentives.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Exemption from state sales tax for purchases of equipment.
- Rural and urban zone qualified businesses receive \$2,500 tax credit per net new employee to be applied against state income and corporate franchise taxes for five years.
- In lieu of the tax credit of \$2,500, aviation and aerospace industries as defined in the 3720 and 3760 SIC (Standard Industrial Code) Title, are eligible for a one-time tax credit of \$5,000 for each net new employee added to the payroll. The credit may be used to satisfy State income and corporate franchise tax obligations. If the entire credit cannot be used in the year claimed, the remainder may be applied against income tax or franchise tax for the succeeding nine years, or until the entire credit is used, whichever comes first.
- Exemption from most local sales taxes for purchases of equipment.
- Exemption from state sales tax on materials used to construct or improve a building to house a business operation.
- Exemption from most local sales tax on materials used to construct or improve a building to house a business operation.

UPDATE:

745 zones have been designated  
159 businesses have qualified to receive incentives

(as of September 10, 1986)

New Jobs: 15,857  
Total EZ Contracts: 159  
Total Investment: \$1,186,780,776.

STATE CONTACT:

Robert Paul Adams  
Director, Finance Division  
Louisiana Department of Commerce  
Office of Commerce and Industry  
P.O. Box 94185  
Baton Rouge, Louisiana 70804-9185  
(504) 342-5398

or:

Dianne Barksdale  
Coordinator, Louisiana Enterprise Zone Program  
Finance Division  
Louisiana Department of Commerce  
Office of Commerce and Industry  
P.O. Box 94185  
Baton Rouge, Louisiana 70804-9185  
(504) 342-5398

MARYLAND

PROGRAM STATUS:

Active.

NUMBER OF ZONES:

Eleven zones have been designated. No more than six zones may be designated in any 12 month period.

ELIGIBILITY CRITERIA (must meet one of the following requirements):

- Unemployment is at least 50 percent above state or national rate, whichever is greater.
- Low income poverty area.
- 70 percent of the residents have income less than 80 percent of median family income in the political subdivision.
- 10 percent decrease in population between 1970 and 1980 or chronic abandonment or demolition of property or substantial property tax arrearages exist.

INCENTIVES FOR QUALIFIED BUSINESSES:

- Tax credits for:
  - local property taxes
  - wages paid to employees
- \$2 million in loan guarantees available from the Venture Capital Guarantee Fund.
- Larger loans for qualified businesses from Maryland's existing loan programs.

UPDATE:

- Property tax credits extended from five to ten years.
- A provision implemented for tax credit allowances for the rehiring of laid-off workers.

STATE CONTACT:

Edward Wise  
Department of Economic and Community Development  
45 Calvert Street  
Annapolis, Maryland 21401  
(301) 269-3381

or:

George William Walker  
Division of Local Government Assistance  
Department of Economic and Community Development  
45 Calvert Street  
Annapolis, Maryland 21401  
(301) 269-3503

## MICHIGAN

### PROGRAM STATUS:

Legislation signed January 12, 1986. Only Benton Harbor is eligible to be designated as a state enterprise zone during the first two years of the program. Benton Harbor was designated on July 31, 1986.

### NUMBER OF ZONES:

Only Benton Harbor may be designated during the first two years of the program. Eligibility criteria is written in such a manner that, based on the criteria in the act, only Benton Harbor is eligible for zone designation. The zone is designated for ten years and qualified businesses may only apply for the tax incentives during the first two years of the program. Incentives are not retroactive and apply only to new business activities within the zone.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Local Property tax abatement of 60 percent for ten years.
- Exemption from state single business tax for ten years.
- Exemption from sales and use taxes for goods purchased for use by zone businesses for ten years.

### MISCELLANEOUS:

Location of a firm in the enterprise zone does not preclude other benefits available state-wide, such as job training.

### STATE CONTACT:

Michelyn E. (Micki) Pasteur, Director  
Local Development Services Bureau  
Michigan Department of Commerce  
P.O. Box 30225  
Lansing, Michigan 48909  
(517) 335-1838

## MINNESOTA

### PROGRAM STATUS:

Active. Legislation approved, 1983.  
Program's first full year of operation: 1984.

### NUMBER OF ZONES:

Six border zones designated.  
Five competitive zones in '83.  
Five competitive zones in '84.

### ELIGIBILITY CRITERIA:

- 400 acres or less and a contiguous boundary.
- Qualifying local contributions.

#### Competitive zones

- No more than one competitive zone in a county unless the county contains a city of the first class.
- Competitive zones must be located in an economic hardship area.
- Average market value in a zone must be \$100,000 or less per acre except for zones located in a city of first class where the value must be \$300,000 or less per acre.
- Population:
  - population at least 4,000 in a SMSA
  - population at least 2,500 outside a SMSA.

#### Border zones

- A city with a contiguous border with a city in another state or with a contiguous border with a city in Minnesota which has a contiguous border with a city in another state.
- Determined to be economically or fiscally distressed.

### INCENTIVES FOR QUALIFIED BUSINESSES:

#### Competitive

- \$20,400,000 is available for tax reductions over the life of the zones.
- Exemption from general sales tax for purchases of construction materials or equipment for use in zone.
- Employer income tax credit of a maximum of \$3,000 per employee working in the zone.
- An income tax credit for a percentage of the cost of debt financing to construct new facilities in the zone.
- Property tax credit for a new commercial or industrial facility or the expansion of an existing facility.

Border

- \$16,600,000 is available for tax reductions over the life of the zones.
- An employee income tax credit up to \$1,500, to individuals working in the zone.
- Property tax credit for commercial or industrial facilities located in the zone.

UPDATE:

Eleven communities designated as zones: six are border zones and ten are competitive enterprise zones.

MISCELLANEOUS:

Total Jobs Retained: 5,000.  
Total Jobs Created: 1000.  
Businesses Served: 715.

STATE CONTACT:

Patrick R. Conroy  
Business Finance Specialist  
Department of Energy and Economic Development  
900 American Center  
150 East Kellogg Boulevard  
St. Paul, Minnesota  
(612) 297-1304

## MISSISSIPPI

### PROGRAM STATUS:

Active. Legislation approved, 1983.  
Program operational, 1984.

### NUMBER OF ZONES:

Twenty zones now designated. No more than five zones may be designated in one year. The maximum allowable number of zones is 25.

### ELIGIBILITY CRITERIA:

- Level of:
  - migration
  - manufacturing activity
  - per capita income
  - unemployment
  - distribution of income
- Creation of:
  - community appearance committee
  - five-year development plan
  - existing industries committee
  - industrial site committee
  - community data committee
- Can be an entire county or a jurisdiction within the county.
- Local narrative required.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- For manufacturing and business operations:
  - exemption from sales and use tax on materials for construction on buildings and equipment.
  - tax credit of \$1,000 on state income tax per new employee.
- an array of local incentives are available in designated zones.

### STATE CONTACT:

Jim Craig  
Attorney-at-Law  
Mississippi Department of Economic Development  
Box 849  
Jackson, Mississippi 39205  
(601) 359-3439

or:

E. Kevin Bennett, Attorney  
Mississippi Department of Economic Development  
Box 849  
Jackson, Mississippi 39205  
(601) 359-3603

## MISSOURI

### PROGRAM STATUS:

Active. Legislation approved, 1982.  
Program operational, 1983.

### NUMBER OF ZONES:

As of July, 1986, a total of 29 zones had been designated. A maximum of 32 zones may be designated.

### ELIGIBILITY CRITERIA:

- Population:
  - areas of at least 4,000 and not more than 32,000 in an MSA
  - areas of 1,000 to 20,000 outside an MSA
- Cooperation from the localities.
- Areas of pervasive poverty, unemployment, and general distress.
- Meets UDAG criteria.
- All of the following must be present:
  - 65 percent of the population below 80 percent of the median income for the state.
  - Unemployment of local area is 1 1/2 times the average rate of unemployment for the state.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Tax credits:
  - 10 percent for the first \$10,000 in investments, 5 percent for the next \$90,000 and 2 percent for the remaining qualifying investment, if 30 percent of the new employees are zone residents or are considered "difficult to employ";
  - up to \$1,200 tax credit for each new hire; including:
    - \$400 for each new job, regardless of time of year started.
    - \$100 for each three months they live in the enterprise zone.
    - \$100 credit for each three months that a "difficult to employ" person works on the job.
  - up to \$400 training credit for training other than a JTPA or state training program.
- fifty percent of state taxable income earned by a zone business is exempt from state income tax for ten years, if 30 percent of the firm's employees are zone residents or have exhausted their benefits.

- Unused tax credits will be refunded at a rate of 50 percent or up to \$50,000 the first year and 25 percent or up to \$25,000 the second year.
- A minimum 50 percent exemption from local ad valorem property taxes for at least the first 10 years for improvements to real property. This may run for 25 years depending upon the decision of the local government.

MISCELLANEOUS:

Applications received continuously reviewed and responded to within 30 to 90 days.

Four new zones authorized in May, 1986. The 28 previously-designated zones have attracted more than \$88.7 million in new investments and have created 5,099 new jobs as of June, 1986.

STATE CONTACT:

Robert Simonds  
Coordinator, Enterprise Zone Program  
Missouri Department of Economic Development  
P.O. Box 118  
Jefferson City, Missouri 65102  
(314) 751-4849

NEVADA

PROGRAM STATUS:

Active. Legislation approved, 1983.  
Program operational, 1984.

NUMBER OF ZONES:

8 zones per year for 6 years, no more than 3 in one county.  
Two zones, (Las Vegas and North Las Vegas), have received designation at this time.

ELIGIBILITY CRITERIA:

- Contiguous area.
- Depressed area.
- Located within a city or entirely within the unincorporated areas of the county.
- A city, county or municipality must adopt an ordinance designating the area.
- Local incentives offered.

INCENTIVES FOR QUALIFIED BUSINESSES:

- Technical assistance.
- Vouchers for training.
- Regulatory relief.
- Revenue bonds.
- Tax increment financing.

STATE CONTACT:

Robin Rierdan or Sarah Merserau  
Commission on Economic Development  
Capital Complex  
Carson City, Nevada 89710  
(702) 885-4325

## NEW JERSEY

### PROGRAM STATUS:

Active. Legislation approved, 1983.  
Program operational, 1984.

### NUMBER OF ZONES:

Ten zones.

### ELIGIBILITY CRITERIA:

- An area defined by a continuous border.
- Must have one of the following:
  - an unemployment rate greater than 1 1/2 the national unemployment rate.
  - twenty percent of the population's income below the poverty level.
  - twenty percent of the residents depend upon public assistance.
- Two of the first 5 zones designated must be in Southern New Jersey.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- \$1500 tax credit for hiring persons unemployed for at least 90 days, residing in a city where a zone is located.
- \$500 credit for hiring any residents of city where a zone is located who was not employed in the city prior to employment in the zone.
- Subsidized unemployment insurance costs, in the form of a rebate, for new employees at a rate beginning at 50 percent during the first four years and declining by 10 percent at four year intervals.
- Sales tax exemptions for materials used in construction within zones and also on tangible personal property such as office supplies and equipment.
- 50 percent reduction of the retail sales tax within up to five zones.
- Job training program.
- State regulatory relief at local request.
- Priority for financial assistance from New Jersey Local Development Financing Fund (LDFF).

UPDATE:

Ten zones have been designated. They are: Bridgeton, Camden, Elizabeth, Jersey City, Kearney, Millville/Vineland, Newark, Orange, Plainfield and Trenton.

STATE CONTACT:

Stephen C. Brame, Director  
Office of Urban Programs  
1 West State Street CN829  
Room 408-410  
Trenton, New Jersey 08625-0829  
(609) 292-2765 or (609) 633-6659

NEW YORK

PROGRAM STATUS:

Legislation passed September, 1986.  
Zones to be designated, 1987.

NUMBER OF ZONES:

Up to forty "economic development" zones over 7 1/2 years.  
Up to ten zones in first eighteen months.  
Up to nine in following eighteen months.

ELIGIBILITY CRITERIA:

Census tract:

- Poverty rate of at least 25 percent.
- Unemployment rate greater or equal to 1.25 times state-wide population of at least 2,000.

County (area within):

- Unemployment rate greater or equal to 1.25 times state-wide population of at least 2,000.
- Poverty rate of 13 percent.
- 25 percent of total land must be available for industrial/commercial development and redevelopment.

INCENTIVES FOR QUALIFIED BUSINESSES:

- 3 percent reduction on utilities.
- Tax credit for wage expense when at least 20 percent of new jobs are filled by zone residents (higher rate for targeted employees).
- Investment tax credit.
- Capitalization tax credit.
- Sales tax exemption on building materials used in connection with business real property.

STATE CONTACT:

Myrna Barnet  
Project Coordinator  
Office of Economic Development Zones  
1 Commerce Plaza, Room 980  
Albany, New York 12245  
(518) 473-6929

## OHIO

### PROGRAM STATUS:

Active. Legislation approved, 1982.  
Program operational, 1982.

### NUMBER OF ZONES:

Any number of enterprise zones may be created in Ohio. 41 enterprise zones have been created in Ohio municipalities. 39 municipalities in Ohio have enterprise zones. Three cities have two zones, and one city has three zones located in it. Four enterprise zones are located in more than one municipality.

### ELIGIBILITY CRITERIA:

All enterprise zones in Ohio must:

- be located in incorporated areas;
- have a single continuous boundary;
- have a population of at least 4,000 and be comprised of complete census tracts or enumeration districts;
- meet UDAG eligibility requirements.

Enterprise zones must meet one of the four following requirements:

- unemployment 150 percent of the national average;
- be designated a low-income poverty area;
- many structures in the area have been abandoned, demolished, or have delinquent taxes, and the area lost 10 percent of its population between 1970 and 1980.
- 70 percent of the area's residents have incomes less than 80 percent of the municipality's median per capita income.

City-designated zones may be located in the largest city, or cities with populations within 20,000 of the largest city, in any county which made expenditures for aid to dependent children, general relief and food stamps equal to at least 1.25 percent of the average expenditures made by all Ohio counties.

County-designated zones may be designated by county commissioners in any incorporated area of their county with the consent of the municipal county in the affected municipality.

INCENTIVES FOR QUALIFIED BUSINESSES:

Cities or counties may provide:

In city-designated zones:

- abatement for a period of up to 10 years and up to 100 percent of taxes on real property and tangible personal property.

In county-designated zones:

- abatement for a period of up to 10 years and up to 50 percent of taxes on real property and tangible personal property.

The state of Ohio may provide:

- reductions in State corporate franchise and income taxes;
- tax credits for training programs for newly-hired employees up to \$1,000 per employee.
- tax credits for reimbursing newly-hired employees for day-care services, up to \$300 per child for up to two years.

UPDATE:

Through November 3, 1986, 65 agreements between businesses and zone officials have been made.

Total New Investment in zones: \$1.7 billion (approximately)  
Jobs Created: 4,024  
Jobs Retained: 8,363

STATE CONTACT:

Howard F. Wise  
Manager  
Office of Industrial Development  
Business Development Division  
Ohio Department of Development  
P.O. Box 1001  
Columbus, Ohio 43266-0101  
(614) 463-4551

## OKLAHOMA

### PROGRAM STATUS:

Active. Legislation approved, June 1985.  
Program operational, October, 1985.

### NUMBER OF ZONES:

Currently, eleven counties have received enterprise zones designation. The county zones are redesignated at the beginning of each fiscal year, (July 1), based on the eligibility criteria.

Additionally, six communities have enterprise zone incentives in force.

### ELIGIBILITY CRITERIA:

- A county having an unemployment rate in the upper 25 percent of the counties in the state and an average unemployment rate 1 1/2 times the state average or; an area within the corporate limits of any city or town with a majority of households having incomes less than 80 percent of the median income of the state and which are consistent with guidelines established by the U.S. Department of Housing and Urban Development to provide grants to such economically distressed areas.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Double investment tax credits
- Sales tax exemptions
- Low interest loans

### UPDATE:

Eleven counties currently have enterprise zone incentives in force; six communities outside of those counties also have zone incentives. In addition, the Department of Commerce shall approve as an enterprise zone any area within the corporate limits of any city or town, regardless of county boundaries, which meets the eligibility requirements at the time of filing.

### STATE CONTACT:

Robert C. Phillips  
Area Director  
Oklahoma Department of Commerce  
5 Broadway, Executive Park  
Suite 200  
6601 Broadway Extension  
Oklahoma City, Oklahoma 73116  
(405) 521-2401

## OREGON

### PROGRAM STATUS:

Active. Legislation approved, 1985.  
Program operational, 1986.

### NUMBER OF ZONES:

Ten zones designated at present. Maximum of 30.  
Ten additional zones will be designated in January, 1987.

### ELIGIBILITY CRITERIA:

- Contiguous area no larger than 12 square miles, excluding navigable waters.
- Application by county, city or combination thereof.
- Review by Economic Development Department and recommendation by Economic Development Department Director. The review is a competitive process among eligible applicants, striking a balance between need and probability of success.
- Designation by Governor for up to 10 years.

#### Urban

- urbanized portion of MSA.
- contiguous census tracts

Meets any or all of the following three criteria:

- 70 percent of households have incomes less than 80 percent of state median.
- 20 percent or more of the families in the zone are below the poverty level.
- Unemployment rate at least one-and-one half times the national average.

#### Non-urban

- outside urbanized portion of MSA.
- entirely within Economically Lagging Area certified by the Governor.

### INCENTIVES FOR QUALIFIED BUSINESSES:

Qualified businesses include new firms located in a zone and those that expand their employment within a zone by ten percent in one year, can qualify for zone incentives by concentrating new hiring on local residents and the economically disadvantaged.

- Locally initiated incentives become binding on local government once the zone is designated:
- Educational and training opportunities.
- Priority use of federal funds for economic development and job training.
- Increased services (police, fire, etc.
- Reduced permit and user fees.
- Reduced business, professional and occupational fees.
- Special zoning districts.
- Simplified permit application procedures.
- Property tax exemptions on new improvements for five years.
- 100 percent property tax exemptions on all new real property tax exemptions on all new real property investments except land and existing improvements during the first year. Abatement is phased out in 20 percent increments over five years.
- Exemptions from local ordinances, except:
  - land use
  - health, safety or other working conditions
  - wage and hour requirements
  - environmental concerns

STATE CONTACT:

Norm Solomon  
Manager, Enterprise Zone Program  
Economic Development Department  
595 Cottage Street, N.E.  
Salem, Oregon 97310  
(800) 547-7842 (toll-free, nation-wide)  
(503) 378-5773 (Oregon)

## PENNSYLVANIA

### PROGRAM STATUS:

Active. Program established by administrative policy initiative in 1982. Program operational, 1983.

### NUMBER OF ZONES:

Twenty zones in twenty-seven communities received designation. Up to five additional zones are expected to be designated by spring, 1987. Eleven "planning zones" are currently receiving grants to prepare enterprise development strategies to enable them to compete for zone designation. Three additional planning zones have been announced for next fiscal year.

### ELIGIBILITY CRITERIA:

- Areas of distressed population and distressed businesses are eligible.
- Population:
  - municipalities of less than 5,000, the population may comprise the entire area.
  - municipalities of less than 50,000, the population may be up to 8,000.
  - municipalities over 50,000 or center cities, one or two census tracts.
- UDAG eligible having two of the following:
  - 20 percent or more of the population has income below poverty level.
  - 15 percent or more of the labor force is unemployed.
  - Loss of population from 1970 to 1980
- Visible working partnership between local government, state government and the private sector.

### INCENTIVES FOR BUSINESSES LOCATED WITHIN DESIGNATED: ENTERPRISE ZONE BOUNDARIES\*

- Targeting of all available state programs, such as:
  - capital for small businesses
  - infrastructure improvements
  - low interest loans for industrial land and buildings.
  - customized job training
- Local real estate tax abatement up to ten years on equal declining yearly increments. (e.g., 100 percent, 90 percent, 80 percent, etc. for 10 years - 100 percent, 80 percent, 60 percent, etc. for five years).

\* Applicable only to DCA-designated zones with approved enterprise development strategies, but not to planning zones preparing their enterprise development strategies.

MISCELLANEOUS:

This program is conducted under administrative policy initiative and has not been legislatively introduced. As of June, 1985, an estimated 4,956 jobs have been created.

STATE CONTACT:

David S. Messner  
Coordinator, Enterprise Zone Program  
Bureau of Community Planning  
Department of Community Affairs  
551 Forum Building  
Harrisburg, Pennsylvania 17120-0155  
(717) 787-7402

RHODE ISLAND

PROGRAM STATUS:

Legislation approved, 1982.

Implementation of state enterprise zone legislation delayed until federal-level legislation is enacted.

NUMBER OF ZONES:

Unlimited.

ELIGIBILITY CRITERIA:

- Poverty level as defined by the Federal Office of Management and Budget.
- Unemployment level within zone.
- The zone may not consist of more than three contiguous census tracts or portions thereof as defined by the 1980 census.
- Chronic property abandonment.

INCENTIVES FOR QUALIFIED BUSINESSES:

- Priority use of Urban Development Action Grant or job training funds received by the federal government for use within zones.
- Payroll tax credit - maximum of \$15,000 credit per employee during first three years of zone operation. During the fourth and fifth years of operation within the zone, a credit equal to 75 percent of total wages and salaries of zone employees (no more than \$12,000 per employee) is extended. During the sixth and seventh years, a credit up to 25 percent of the total payroll (no more than \$5,000 per employee) is offered.
- Resident business owner tax deduction - during the first three years of operation within the zone, a business owner may deduct up to \$50,000 per year from entire net worth or income. During the fourth and fifth years of operation, business owners may deduct up to \$25,000 per year from entire net worth or income.
- Enterprise Worker Tax Exemption - Each enterprise worker who earns or receives more than 90 percent of his gross income directly from a qualified business located within the zone can deduct from State gross income either \$5,000 or the amount earned per year for a period of two taxable years (whichever is less).

- In the first year of the operation of a qualified zone business, no property taxes shall be levied.
- In the second year 20 percent of the total property taxes will be due; in the third year, 40 percent of the total property taxes will be due; in the fourth year, 60 percent of the total property taxes will be due; in the fifth year, 80 percent of the total property taxes will be due. In all subsequent years, all levied property taxes are payable in full.

UPDATE:

No zones yet designated. No further action until federal-level legislation is passed.

STATE CONTACT:

Jerome Lessuck  
Associate Director, Small Business  
Department of Economic Development  
7 Jackson Walkway  
Providence, Rhode Island 02903  
(401) 277-2607

## TENNESSEE

### PROGRAM STATUS:

Pending. No zones designated yet.

### NUMBER OF ZONES:

None.

### ELIGIBILITY CRITERIA:

- An area in a jurisdiction or "pocket of poverty" that is UDAG eligible.
- An area of pervasive poverty, unemployment, and general distress, and have:
  - average unemployment rate for the most recent twenty-four month period for which data was available, of at least one and one-half times the average national rate of unemployment, or
  - a poverty rate of at least twenty percent or more in all census tracts, or
  - at least seventy percent of the households in the area with incomes below eighty percent of the median income of the households of the government designating the zone, or
  - decrease in total population of at least twenty percent during the period between the last two decennial censuses.
- Local community must:
  - devise and implement a public safety improvement program,
  - give priority to the use of CDBG, UDAG and local capital improvement funds within the zone,
  - assist in certification of eligible employers for zone benefits,
  - study and consider improvement of local regulations and ordinances that may impede growth and development,
  - assist in evaluating progress made in an enterprise zone, and
  - make appropriate local tax concessions.
- Contiguous boundary.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Exemption from state and local taxes on interest payments made to qualified businesses on loans for improvements, expansions or operations within a zone.
- Corporation excise tax credit for contributions made for creation, operation, maintenance or improvement of public schools within an enterprise zone, for twenty percent of the contribution, up to a maximum of \$100,000.

- Tax reductions for the life of the zone, to be phased out over a five year period after the zone status ends.
- Funds for state educational assistance grants and guaranteed student loans will be set aside for zone residents.

UPDATE:

No zones yet designated.

STATE CONTACT:

Michael McGuire  
Assistant Commissioner  
Department of Economic and Community Development  
Sixth Floor, Rachel Jackson State Office Building  
Nashville, Tennessee 37219-5308  
(615) 741-2373

## TEXAS

### PROGRAM STATUS:

Implementation of state incentives delayed until federal enterprise zone legislation is enacted. Only local incentives may be used until federal legislation is passed. Enterprise Zone Board established. No designated zones.

### NUMBER OF ZONES:

Five local zones and three state/federal zones per year and no more than 20 local and 10 state/federal zones at one time.

### ELIGIBILITY CRITERIA:

#### Urban

- between one and 10 square miles
- minimum population of 4,000
- located in central city of a SMSA

#### Rural

- no larger than 50 square miles
- minimum population of 2500
- One of the following:
  - average rate of unemployment during a 12 month period is 1 1/2 times the state average.
  - low income poverty area according to most recent federal census.
  - 70 percent of the residents have income below 80 percent of the median income of the residents of the county.
  - population decreased 10 percent between 1970 and 1980 or;
- The designating government shows:
  - chronic abandonment or demolition of commercial residential structures
  - substantial tax arrearages for commercial or residential structures

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Federal or state zones (These three incentives become valid contingent upon enactment of federal enterprise zone legislation):
  - Exemption for motor vehicle sales tax for vehicles used in zone business
  - Exemption from sales and use taxes for goods purchased by zone businesses
  - Elimination of gross receipts taxes for five years on zone business receipts.

- Local zones (These incentives are available regardless of the enactment of federal enterprise zone legislation):
  - local tax abatement
  - refund of local sales use tax
  - tax increment financing in zone
  - state regulatory relief
  - local government deregulation
  - grant and loan preference from state
  - tax free financing for zone businesses
  - transfer of public property to private sector.

STATE CONTACT:

Karin Richmond  
Enterprise Zone Board Chairman  
200 South 10th, Suite #1104  
McAllen, Texas 78501  
(512) 630-5257

or:

Texas Economic Development Commission  
P.O. Box 12728  
Capitol Station  
410 East 5th Street  
Austin, Texas 78711  
(512) 472-5059

## VERMONT

### PROGRAM STATUS:

Active. Legislation signed May, 1986.  
Program to be operational, 1987.

### NUMBER OF ZONES:

Maximum of 3 zones. To be designated, October 1, 1986.  
Zone designations expire January 15, 1991.

### ELIGIBILITY CRITERIA:

A municipality is eligible to apply for zone status if it has:

- A population of at least 2,000.
- Meets at least two out of the following three criteria;
- Per capita income at least ten percent lower than the statewide per capita income.
- Suffered an employment loss.
- Has an area unemployment rate at least 33 percent higher than the statewide rate.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- Employer tax credit equal to 10 percent of qualified wages paid to each qualified employee (up to \$1,500 per employee) and;
- Employer tax credit equal to 5 percent of qualified wages paid to each qualified economically disadvantaged individual (up to \$500 per employee).
- Infrastructure assistance (up to \$1 million dollars in reimbursement on annual interest costs incurred for economic development related infrastructure projects).
- State assistance grants of up to 50 percent of the eligible costs of approved pollution abatement projects within a zone; grants of up to 35 percent of eligible costs are available for approved water supply projects within a zone.
- Targeted federal and state job training assistance.
- Funding for the purpose of program implementation to the regional development corporation which includes the job zone. Said funding shall be provided in the form of increased grants to the economic development corporation.
- Preferential consideration from Vermont Industrial Development Authority for project financing.

- Technical assistance from the Agency of Development and Community Affairs for developing applications community improvement and economic development grants and assistance to businesses with licensing and permitting procedures.
- Direct, localized assistance from small business development center.

STATE CONTACT:

Curtis Carter  
Development Programs Coordinator  
Vermont Agency of Development  
and Community Affairs  
109 State Street  
Montpelier, Vermont 05602  
(802) 828-3221

VIRGINIA

PROGRAM STATUS:

Active. Zones designated in 1984 and 1985.

NUMBER OF ZONES:

Maximum of twelve zones.

ELIGIBILITY CRITERIA:

- At least 25 percent of the population has income below 80 percent of the median income for the jurisdiction, or:
- The unemployment rate is at least 1 1/2 times the state average.

INCENTIVES FOR QUALIFIED BUSINESSES:

- State sales tax exemption for purchases for up to five years.
- State business income tax credit.
- Credit against state business income tax equal to what the employer would pay in state unemployment taxes.

MISCELLANEOUS:

The 1982 Enterprise Zone law provided for a maximum of six zones. A 1984 amendment increased the number to twelve.

STATE CONTACT:

Stanley Kidwell  
Associate Director  
Department of Housing and Community Development  
205 North 4th Street  
Richmond, Virginia 23219  
(804) 786-4966

## WEST VIRGINIA

### PROGRAM STATUS:

Active. Legislation signed April, 1986.  
No zones yet designated.  
Program to be operational, 1987.

### NUMBER OF ZONES:

A maximum of two zones may be designated each year in the calendar years 1987, 1988 and 1989. In 1990, one zone may be designated. Zones have a life of twenty years.

### ELIGIBILITY CRITERIA:

- Has a continuous boundary.
- Average rate of unemployment for the most recent 18-month period for which data is available was at least 1 1/2 times the national average unemployment rate for the same time period.
- At least 70 percent of the residents in the proposed zone have incomes below eighty percent of the median income of the residents of the county or counties requesting designation.
- The population of all census tracts in the area decreased by ten percent or more between the two most recent decennial United States censi.
- Chronic abandonment or demolition of residential or commercial structures exists in the area, or:
- Substantial tax delinquencies relating to ad valorem real property taxes of commercial and residential structures exist in the area.

### INCENTIVES FOR QUALIFIED BUSINESSES:

- A 50 percent reduction of state taxes on all interest payments on loans made to qualified businesses or on mortgage loans on any zone property.
- Building materials used in remodeling, rehabilitation or new construction in an enterprise zone and new and used equipment purchased by qualified businesses for use in the enterprise zone are exempt from sales and use tax.
- Fifty percent reduction of the motor vehicle privilege tax for vehicles purchased by qualified businesses.
- Tax credit for qualified businesses in the amount of unemployment compensation taxes paid against any corporate net income or personal income tax liability of such qualified business.
- For state tax purposes, qualified businesses may carry forward their net operating losses, including casualty losses, for the period of existence of the enterprise zone in which the qualified business is located.

STATE CONTACT:

Karen Price  
Industrial Development Representative  
Governor's Office of Economic  
and Community Development  
Charleston, West Virginia  
(304) 348-2234

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
 Title: Business Enterprise Zones BRU: Division of Business Development  
 Sponsor: Martin Components: \_\_\_\_\_  
 Requester: \_\_\_\_\_

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>		-0-	-0-	-0-	-0-	-0-
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<b>REVENUE</b>		-0-	-0-	-0-	-0-	-0-
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**FUNDING: (Thousands of dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME		-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS: (Attach a separate page if necessary.)**

This program has no effect on DCED's budget.

Prepared by: Tom Lawson, Economic Development Planner Phone: 465-2017  
 Division: Business Development Date: 4-21-88  
 Approved by Commissioner: J. Anthony Smith Date: 4/23/88  
 Agency: Department of Commerce & Economic Development

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