



ILLINOIS ENTERPRISE ZONE ASSOCIATION

SPRING 2012

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THOMAS HENDERSON
Executive Director
IL Tax Increment Association

MESSAGE FROM THE PRESIDENT



It is an honor to be selected to serve as the next President of the Illinois Enterprise Zone Association (IEZA). I've had the pleasure of working with the members of IEZA for well over 20 years at both the state and local levels. I know that this is a volunteer organization that is consistently passionate about and involved in the education and training of its members and about educating our employers and elected officials on the benefits of the Illinois' premier job development incentive, Illinois Enterprise Zones.

That passion is member driven and enhanced by a committed volunteer Board of Directors whose only goal is to keep all of the Illinois Enterprise Zones viable for the long term. I want to thank outgoing President John Thompson of Dixon for his excellent work on behalf of the IEZA over the past few years and the rest of the Board for their tireless commitment to the organization and Enterprise Zones throughout the State of Illinois.

That said, the next 18 months are the most critical time ever for the Zone program. Many of the first zones designated back in the 1980's and extended through legislation in the 1990's are set to begin expiring as early as next year. Despite repeated efforts of the IEZA and our job development allies at the Illinois Manufacturer's Association, the Illinois State Chamber of Commerce, the Illinois Development Council and the National Federation of Independent Business to name a few, Illinois Enterprise Zones are in jeopardy in the General Assembly

In recent years the extension legislation has passed the Senate with unanimous bi-partisan support, only to be stalled in Committee in the House of Representatives. Extension legislation is once again shaping up to be a challenge in the coming Legislative session and it will take coordinated support of all of our members and all of our employers to make sure extensions without significant programmatic changes are passed this year. By its previous inaction, the Illinois House of Representatives has already placed some Illinois communities at a competitive disadvantage, creating an unfair playing field for zone communities that expire in 2013 and 2014.

Stay tuned for more communication from your Board and I as the session unfolds and please stay involved with IEZA as we try to work with our partners to achieve the passage of common sense legislation.

Please contact me directly if you have any questions, comments or concerns about the organization or our efforts to pass extension legislation and thanks again for affording me the opportunity to serve as President of the IEZA!

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SAVE THE DATE

May 16-18, 2012

IEZA Spring Conference

The IEZA Spring Conference is in Effingham. Please make your hotel reservation at soon as possible at Hilton Garden Inn, 1301 Ave. of Mid America, Effingham, at 217-540-7777. Watch for additional information in the coming weeks.





“Although other factors are undoubtedly involved, enterprise zone designation is a highly important determinant of a business's decision to locate or expand in Illinois. Indeed, we believe that the Enterprise Zone Program is one of the state's most successful economic development tools.”

**Warren Ribley,
DCEO Director**

EZ Extension Legislation Facing Deadline

Since 1983, enterprise zones have been an effective economic development incentive in Illinois' economic development strategy. For many of the 97 zones across the state, in fact, this incentive is the only local program in the economic development toolbox of surrounding communities. The initial enterprise zone legislation established zones for a 20-year period. In 2003, the Legislature extended the benefit for another 10 years. Now, many zones may expire as early as June 2013.

Those communities facing imminent expiration of their zones are in a precarious position with their local incentive program. Uncertainty as to the continuation of a zone and its benefits can leave a community and its businesses in limbo. “It makes it very difficult to offer a complete benefit program to new and expanding companies not knowing if the benefits will be available,” states Betty Steinert, Whiteside/Carroll Counties Zone Administrator.

The last two legislative sessions have shown some promise toward a 20-year extension bill. However, as legislators focused on other, more immediate state issues, bill passage attempts stalled. The IEZA Board continues to promote and support the extension legislation. Board activities have included testifying at state-sponsored hearings, meeting with key state officials, and building coalitions with enterprise zone support organizations, such as the Illinois Chamber of Commerce, Illinois Municipal League and TIF Association.

The IEZA is confident that state legislators will come together to formulate a competitive incentive program to complement a statewide economic development strategy. “The enterprise zone is a tool that goes in that direction. It was effective in the past and will be effective in the future,” explains John Thompson Immediate Past Chairman of the IEZA.

The IEZA supports maintaining the current enterprise zone program and extending the timeline for 20 years.

For further information and updates on legislative activity, visit the IEZA website.

COUNTDOWN

THE FIRST ENTERPRISE ZONES TO EXPIRE ARE DES PLAINES RIVER VALLEY ON JUNE 30, 2013 AND DECATUR/MACON COUNTY ON JULY 1, 2013.





Enterprise Zone Benefits

REPORTING:

As the bill's leading proponent, the IEZA represents more than three-quarters of the zone professionals in the State of Illinois, including the overwhelming majority of the ninety-seven zones, themselves. Statistics covering the past ten years of Enterprise Zone job retention, creation and investments, as documented in DCEO annual reports, total as follows:

Source IEZA Website

JOBS RETAINED:

458,250

JOBS CREATED:

281,330

TOTAL INVESTMENT:

\$33.4 BILLION

BUSINESSES INVESTING:

35,313

The Illinois Enterprise Zone offers a range of incentives, each of which is significant. The following is a brief synopsis of each incentive that is available and the eligibility requirements thereof. For additional information on any of the following, please refer to the Illinois Enterprise Zone website at www.ieza.org.

Sales Tax Deduction

Each retailer who makes a qualified sale of building materials to be incorporated into real estate in an enterprise zone by remodeling, rehabilitation or new construction, may deduct from such sales when calculating the tax imposed by this Act. For purposes of this Section, "qualified sale" means a sale of building materials that will be incorporated into real estate as part of a building project for which a Certificate of Eligibility for Sales Tax Exemption has been issued.

Property Tax Abatement

The Revenue Act 35 ILCS 200/18-170, as amended provides that any taxing district may order the county clerk to abate (that is, to give up) any portion of its taxes on real property, or on any particular class thereof, located within a zone and upon which new improvements have been constructed or upon which existing improvements have been renovated or rehabilitated. The abatement applies only to taxes on the increase in assessed value attributable to the new construction, renovation, or rehabilitation. It should be noted that rates and lengths of abatements vary from zone to zone depending on the agreements with the taxing bodies.

Investment Tax Credit

The Illinois Income Tax Act 35 ILCS 5/201, as amended allows a .5 percent credit against the state income tax for investments in qualified property which is placed in service in an enterprise zone.

Jobs Tax Credit

The enterprise zone jobs tax credit 35 ILCS 5/201 offers employers a tax credit on their Illinois income taxes for hiring individuals who are certified as economically disadvantaged or as dislocated workers.

An employer who conducts a trade or business in an enterprise zone is allowed a credit of \$500 per eligible employee hired to work in a zone during the taxable year.

To qualify for the credit: a minimum of five eligible employees must be hired in a zone during the taxable year; and, the taxpayer's total employees must increase by five beyond the total employed in the zone at the end of the previous tax year for which a jobs tax credit was taken.

Income Tax Deductions for Financial Institutions.

The Illinois Income Tax Act 35 ILCS 5/203 provides that financial institutions in Illinois, such as banks and savings and loans, are eligible for a special deduction from their Illinois corporate income tax return. Such institutions may deduct from their taxable income an amount equal to the interest received from a loan for development in an enterprise zone. This is limited to the interest earned on loans or portions of loans secured by property which is eligible for the enterprise zone investment tax credit.

Dividend Deductions

The Illinois Income Tax Act 35 ILCS 5/203 provides that taxpayers may deduct from their taxable income an amount equal to those dividends which were paid to them by a corporation which conducts substantially all of its operations in an enterprise zone or zones.

Corporate Contribution Deduction

The Illinois Income Tax Act 35 ILCS 5/203 provides that corporations may make donations to designated zone organizations for projects approved by the Illinois Department of Commerce and Economic Opportunity, DCEO, and claim an income tax deduction at double the value of the contribution, to the extent that

1. the contribution qualifies as a charitable contribution under Section 170, Subsection (c) of the Internal Revenue Code; and
2. the Department approves the amount and type of contribution which may be claimed as a deduction.

Manufacturing-Machinery & Equipment Sales Tax Exemption

The Revenue Act 35 ILCS 120/1d-1f, as amended allows a business enterprise that is certified by DCEO, as making a \$5 million investment that either: creates a minimum of 200 full-time equivalent jobs in Illinois; or retains a minimum of 2,000 full-time jobs in Illinois; or which retains 90% of the existing jobs, a 6.25 percent state sales tax exemption on all tangible personal property which is used or consumed within an enterprise zone in the process of manufacturing or assembly of tangible personal property for wholesale or retail sale or lease. This exemption includes repair and replacement parts for machinery and equipment used primarily in the process of manufacturing or assembling tangible personal property for wholesale or retail sale or lease, and equipment, manufacturing fuels, material and supplies for the maintenance, repair or operation of manufacturing, or assembling machinery or equipment.

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Utility Tax Exemption

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

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

DATES OF UPCOMING EVENTS

MARCH 2012



Illinois Institute for Rural Affairs (IIRA); 23rd Annual Rural Community Economic Development Conference: Past Accomplishment and New Expectations
March 6-8, 2012 in Peoria, IL

APRIL 2012

Illinois Tax Increment Association (ITIA); Spring Conference
April 18-20, 2012 in Collinsville, IL



MAY 2012



Illinois Enterprise Zone Association (IEZA); Spring Conference
May 16-18, 2012 in Effingham, IL

JULY 2012

Illinois Development Council (IDC); Workforce Development Seminar
July 11-13, 2012 in Lombard, IL



ILLINOIS DEVELOPMENT COUNCIL
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