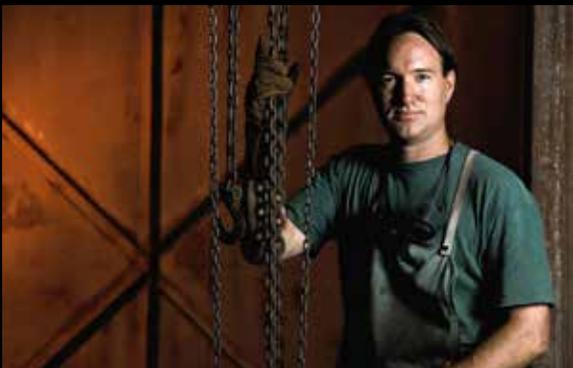


Economic Analysis Report of Missouri Enterprise Zones

FY 2011-2015



M I S S O U R I

Department of Economic Development

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SUMMARY

STATUTORY AUTHORITY

- Sections 135.200 to 135.270, RSMo
- The first Enterprise Zone (EZ) program was established in Missouri in 1982 as a means to allow local governments the option to provide tax abatement to companies locating or expanding in a designated distressed and blighted area known as an “enterprise zone”. A state tax credit was coupled with the EZ as an entitlement based upon jobs and investment. The tax credit had no cap.
- Pursuant to SB 1155 (2004), the EZ tax benefit program was sunset and is being phased out of existence. The established zones in place prior to the sunset were allowed to run their full 25 year course. The same bill replaced the EZ with the Enhanced Enterprise Zone (EEZ) program which allowed the same local tax abatement feature along with a discretionary tax credit program with an annual cap. In 2013 HB 184 replaced the Enhanced Enterprise Zone program with the Missouri Works program (Zone Works).
- While the initial EZ zones are expiring, the established Enhanced Enterprise Zones will continue with their 25 year life span before their respective expiration dates. The amended statute still provides the authority to local governments to establish zones. Any new zone or existing zone created under EEZ retains the ability to access state tax credits under the “Zone Works” category of the Missouri Works Program, for new business locations and existing business expansions.
- This statutory five year report relates to only the zones and tax credit activity established under the original Enterprise Zone (EZ) Program. There are separate statutory reporting requirements for Missouri Works.

PURPOSE

To provide tax incentives which promote and facilitate the expansion of new and/or existing businesses in Missouri’s many enterprise zones.

PROGRAM DESCRIPTION

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

Facility eligibility is determined by its primary Standard Industrial Classification (SIC) or North American Industrial Classification System (NAICS) code, and includes manufacturing, warehousing,

wholesale distribution, mining, insurance, research and development, recycling operations, computer-related services, and certain office activities.

To receive credits, a facility must create at least two new jobs and make a new investment equal to or in excess of \$100,000 (\$1,000,000 for replacement facilities) in the claimed year as compared to the base year (the year prior to a facility's commencement of operations). The investment credits are based on the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same, excluding inventory.

Credits may be issued for each of ten years after the commencement of operations, unless the life of the enterprise zone expires first. Local property tax abatement, a state income tax exemption, and state income tax credits may be provided as business incentives, based on the following factors:

- new jobs created at the facility;
- enterprise zone residents employed by the facility;
- employees classified as "difficult to employ", or special;
- training for zone residents or employees classified as difficult to employ; and
- the amount of new investment at the qualifying facility.

ENTERPRISE ZONE ECONOMIC IMPACT AND PERFORMANCE

For the period FY2011-2015, the Enterprise Zone program generated \$26,923,792 in net new investments, but saw a decrease in net new jobs (-59) from the previous reporting period. Net new investment and net new jobs are calculated each year by comparing the previous year's new investment and new jobs to current year new investment and new jobs for the businesses issued tax credits in each year. Thus, negative investment and job numbers occur when companies report lower investment and employment numbers from a previous year, while still meeting EZ eligibility requirements by creating at least a minimum of two (2) new jobs and \$100,000 in new investment over their base year. State costs during this five year period totaled \$5,222,256 in tax credits issued.

While the program generated some investment over fiscal years 2011-2015, the number of businesses participating in the program continues to decrease, due primarily to zone and benefit expirations. As of June 30, 2015, only 10 zones remain unexpired, with the remaining zones expiring over the next five years. Because the MO Enterprise Zone program is sunset, the Department expects to see a continuing decline in the program's economic impact as zones continue to expire.

