



City of Springfield Enterprise Zone

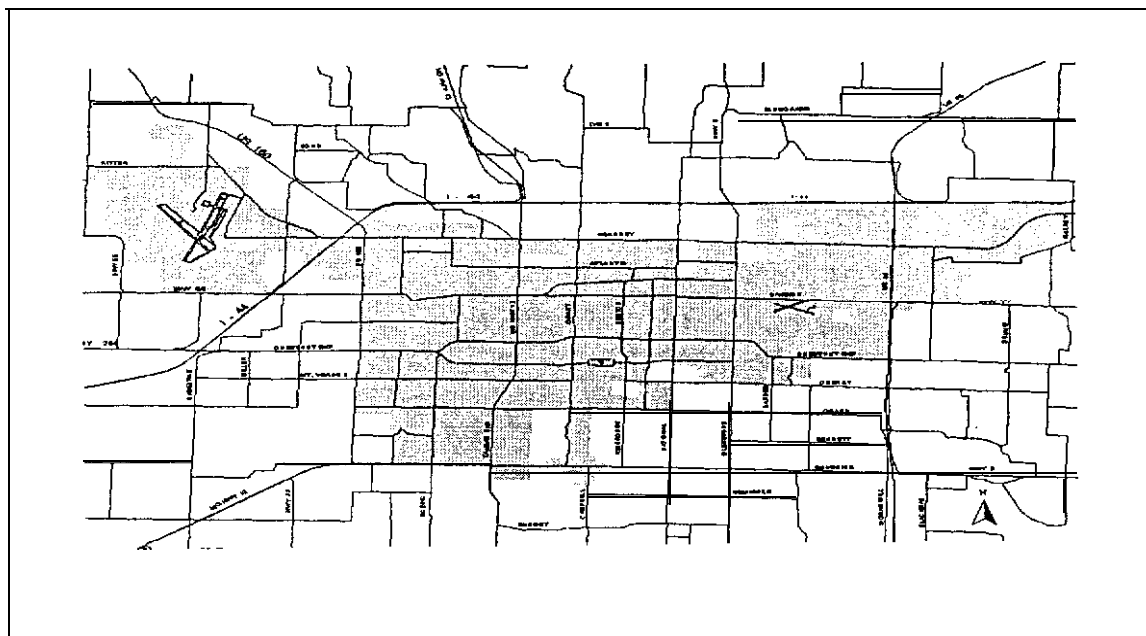
Introduction

The Missouri Department of Economic Development designated the Springfield Enterprise Zone in May 1984, in order to stimulate new business investment in the center city and to promote the creation of jobs within areas where unemployment was historically high. Since 1984 the Springfield Enterprise Zone has become a leader in job creation and new business investment in Missouri. During its first 15 years, the Enterprise Zone has helped over 200 businesses invest over \$302 million in new buildings and equipment and provide over 5,000 jobs within the zone. The Springfield Enterprise Zone was redesignated in May 1999. It will expire May 11, 2006.

The Springfield Enterprise Zone encompasses a large amount of available commercial and industrial property. The zone has an abundance of prime industrial sites available for development, most with a full range of public services including convenient access to highway, rail service, and air transportation. The Springfield Enterprise Zone is administered locally by the City of Springfield Planning and Development Department.

The Enterprise Zone Act is contained in Sections 135.200-255 RSMo and authorizes tax credits, income tax exemptions, and local property tax abatement. To qualify, any sole proprietorship, partnership, or corporation must locate in the enterprise zone and satisfy minimum investment, industry type, and employment criteria.

Missouri's Enterprise Zone legislation contains two general components: (1) property tax abatement administered at the local level; and (2) income tax credits administered at the state level. The following is a summary of the available benefits under Missouri's Enterprise Zone program.



Local Real Property Tax Abatements

Eligible Facilities

- Properties used for assembling, fabrication, processing, manufacturing, mining, warehousing, or distribution activities;
- Motor vehicle freight transportation terminal activities classified as SIC 423 1 provided the City Council furnish notice to affected taxing jurisdictions and a public hearing is held; and
- Photofinishing laboratories (SIC 7384) and microfilm recording/developing services (SIC 7389) provided such activities employ a minimum of 100 employees at a single business facility and the improvements or expansion for which an exemption is sought were made after January 1, 1999.

Abatement Terms

Real property taxes will be abated on one-half of the new investment (excluding land) for a period of 10 years.

Application Process

Applicants should contact the Springfield Department of Planning and Development at 417-864-1031. The applicant will be asked to provide the property location, a description of the proposed business activity, and the business's SIC code.

State Income Tax Credits

The following facilities are eligible for state Enterprise Zone tax credits:

- Manufacturers (SICs 20-39);
- Poultry/egg producers (SIC 025);
- Railroad, motor freight and barge terminals (SICs 4013, 4231, and 4491);
- Warehousemen (SICs 422-423 except 4221);
- Wholesale distributors (SICs 50-51);
- Life, health, and casualty insurance carriers (SICs 631-633);
- Commercial research/development services (SIC 873 except 8733);
- Farm implement retailers (SIC 5999);
- Interexchange telecommunications services (defined in Section 386.020 RSMo.);
- Recycling operations (SIC 5093);
- Mining (SICs 10-14);
- Office activities limited to headquarters, telemarketing, computer operations, insurance companies, passenger transportation ticket systems, or credit card billing/processing centers;
- Renting/leasing residential property to low/moderate income persons (defined in Federal Law 42 USC 5302 (a)(20));
- Employment agencies (SIC 7361);
- Computer programming/data processing services (SIC 737);
- Health services: offices/clinics of MDs, DOs, Dentists, Chiropractors, Optometrists and other health practitioners, hospitals, medical and dental laboratories, kidney dialysis centers, and specialty outpatient facilities (SICs 801-804, 806-807, 8092-8093);
- Commercial banks and savings institutions (SICs 602-603);
- Photofinishing laboratory (SIC 7384) and microfilm recording/developing services (SIC 7389) (Minimum of 100 employees at each facility in order to be eligible); and
- Airports, flying fields, and airport terminal services (SIC 4581).

Minimum Qualification Requirements

The following minimum job AND investment qualification requirements must be maintained as an annual average in order to receive tax credits each tax year of the lo-year period:

(1) New Facility (new to Missouri; off-site expansion of existing Missouri facility) - 2 new jobs AND \$100,000 new investment.

(2) Expanding Facility (on-site expansion of existing Missouri facility) - 2 new jobs AND \$100,000 new investment, or if less than \$100,000, 25% more than the previous investment at the old facility.

(3) Replacement Facility (new facility replaces old Missouri facility with same/similar operation, that was previously operated by same or related taxpayer during the prior tax period, which has been closed on/before the end of the tax period when the new facility opened) - 2 new jobs AND \$1,000,000 new investment, or if less than \$1 million, new investment must be twice the investment of the old facility.

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(4) Acquisition of Existing Facility (taxpayer purchases **or leases** a **Missouri** facility which was in operation from another taxpayer) - acquired jobs and investment do not qualify for credits; taxpayer must expand after acquisition (see Item 2).

(5) Expansion of Facility Currently Earning Enterprise Zone Tax Credits (on-site expansion of existing Missouri facility which previously qualified for, and is still earning the credits) - increased jobs and investment credits are added to current credits for remaining tax years of the initial 10-year period.

(6) Expansion of Facility Previously Earning Enterprise Zone Tax Credits (on-site expansion of existing Missouri facility which previously earned Enterprise Zone credits and which is eligible for New/Expanding Business Facility tax credits) - 2 new jobs AND \$100,000 new investment must be created after year 10 in order to start earning the New/Expanded Business Facility tax credits for an additional 10-year tax credit period.

Annual Benefits

(1) New Job Credit (employee must be hired to work full-time, an average of 20 hours per week, or 80% of a facility's season): \$400 per new job for 10 tax periods. **NOTE:** Credits are calculated on the average annual increase or decrease in jobs over the base tax year (tax year prior to qualification).

(2) Training Credit (employee is resident or "difficult to employ"): 80% of costs over \$400, up to a maximum of \$400 per employee.

(3) Resident Credit (employee is resident of any Missouri enterprise zone): up to \$400 per year, based on number of days employee is resident; available for 10 tax periods.

(4) Special Employee Credit (employee is either "difficult to employ": unemployed at least 3 months prior to being hired; or is eligible for General Relief or Aid to Families with Dependent Children): up to \$400 per year, based on number of days special employee remains employed; available for 10 tax periods. Available if 30% of new employees are either residents or "special" employees for at least 1 month during the tax period (see definitions above in Items 3 and 4):

(5) Enterprise Zone Income Exemption (available only to taxpayers subject to Missouri personal/corporate income tax - Missouri business income times the ratio of new payroll to total Missouri payroll): 50% exemption, available for 10 tax periods.

(6) Investment Credit (based on original cost or 8 times annual rental rate of property): 10% of 1st \$10,000, 5% of next \$90,000, and 2% of excess over \$100,000; available for 10 tax periods. **NOTE:** Credits are calculated on the average annual increase or decrease in investment over the base tax year (tax year prior to qualification).

(7) Refund of Unused Credits (available to taxpayers establishing new facilities subject to Missouri personal/corporate income tax):

(a) First year: 50% up to \$50,000 refunded after 3rd tax year.

(b) Second year: 25% up to \$25,000 refunded after 4th tax year.

(c) New facilities established during an enterprise zone's 7-year redesignation period may earn a refund of 25% up to \$25,000 on unused credits earned in year 1, which is payable after year three.

NOTE: Refunds may be claimed only after filing the 3rd- or 4th-year tax credit applications, OR if taxpayer has no Missouri taxable business income for years 3 or 4, by contacting Tax Benefit Programs for instructions. The refund is then claimed on the Department of Revenue income tax credit form under "Enterprise Zone Credit."

Length of Credits

Generally, companies will earn credits for 10 tax periods. If a facility in the Springfield Enterprise Zone was earning credits in May 1999 the facility may continue to **earn** credits until its 10th tax-credit year, or until the credits expire May 11, 2006 (7 years after the redesignation date), whichever comes first. A new facility in the Springfield Enterprise Zone may **earn** credits for 7 years, or until the credits expire May 11, 2006 (7 years after the redesignation date), whichever comes first.

Application Process

NOTE: All initial applications must be filed during the tax period immediately after the tax period when the development began operations (was in use): The initial applications must be postmarked by the ending date of your second tax period of operation.

All companies intending to apply for Enterprise Zone tax benefits must obtain prior approval of eligibility for credits. A form letter of intent must be sent to the Department of Economic Development no later than 15 days before the qualifying operations start at the facility.

Effective August 8, 1999, all taxpayers eligible for these credits must sign an affidavit affirming that the employer does not employ any illegal aliens in Missouri.

Tax credit applications must be submitted each year to the Department of Economic Development for recalculation of jobs and investment credits; tax credits are claimed for the year they are earned. Tax credits cease if a facility moves from the initial qualifying address.

Claiming the Exemption and Credits

Taxpayers will be certified by the Department of Economic Development with an income exemption percentage, and two apportionment percentages:

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(1) **Income Exemption (Available only to taxpayers subject to Missouri Personal/Corporate Income Tax):** The taxpayer multiplies Missouri taxable business income, Missouri sources, times the certified exemption percentage, times 50%. The resulting number is entered on the Missouri Department of Revenue income tax return under "Enterprise Zone Income Modification."

(2) **Income Tax Credits:** Taxpayers will choose the greater of the following apportionment options which will be shown on the tax credit certification:

Option 1:

The credits may offset the income attributed to the "new business facility" (Missouri taxable business income times the average of new property/payroll to total Missouri property/payroll - expansions, replacements, acquisitions, and new facilities with other Missouri facilities cannot offset 100% of their business income).

The taxpayer multiplies Missouri taxable income, Missouri sources, **net income, or** direct premiums, whichever is applicable, times the certified income percentage, times the tax rate. The resulting number is the amount of tax the certified credit may offset, and is entered on the Missouri Department of Revenue (or Insurance) income tax credit form under "Enterprise Zone Credit."

Option 2:

The credits may offset up to the following percentage of the taxpayer's total Missouri taxable business income, net income, or direct premiums tax:

- (a) 100% -New Companies with no other "eligible" Missouri facilities
- (b) 50% - Expanding companies with no other "eligible" Missouri facilities
- (c) 25% -New or expanding companies with other "eligible" Missouri facilities

For Additional Information:

To verify a property is within the Springfield Enterprise Zone, to verify an employee resides within the Enterprise Zone, or to request local property tax abatement:

Department of Planning and Development
840 Boonville P.O. Box 8368
Springfield, Mo 65801
PH: (417) 864-1031
Fax: (417) 864-1030

To file a letter of intent in order to obtain approval of eligibility for credits, or for additional information on the state income tax credits:

Missouri Department of Economic Development
Enterprise Zone Program
PO Box 118
Jefferson City, Mo 65102
(573) 522-8004