

ment containing the address of the structure where the building materials will be used and signed by the purchaser must be surrendered to the Rockford retailer. As of August 2002, a Certificate of Eligibility for the Sales Tax Exemption must also be given to the retailer. Both forms are available from the Rockford Community Development Department. The location of the retailer determines if there will be any restrictions on the Enterprise Zone building materials sale.

Additional Exemptions for Large Manufacturers

Machinery & Equipment Sales Tax Exemption

For a business enterprise that is certified by DCCA as making either a \$5 million investment that creates a minimum of 200 full-time equivalent jobs or a \$40 million investment that retains a minimum of 2,000 full-time jobs or 90% of the jobs in place on the date of certification, a 6.25% sales tax exemption is available on all tangible personal property which is used or consumed within the 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 of 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 or manufacturing of assembling machinery or equipment.

Enterprise Zone Pollution Control Facilities Exemption

For a business enterprise that is certified by DCCA as making either a \$5 million investment in the Rockford Enterprise Zone that creates a minimum of 200 full-time equivalent jobs or a \$40 million investment that retains a minimum of 2,000 full-time jobs or 90 percent of the jobs in place on the date of certification, a 6.25% State sales tax exemption is available on tangible personal property used or consumed in the operation of pollution control facilities.

Enterprise Zone Utility Tax Exemption

A five-year State utility tax exemption on gas, electricity, and the Illinois Commerce Commission's administrative charge is available to businesses located in Enterprise Zones. Eligibility for this exemption is contingent upon a business making a \$5 million investment which causes the creation of 200 full-time equivalent jobs in Illinois or an investment of \$20 million for the retention of 1,000 full-time jobs in Illinois. The majority of the jobs created or retained must be located in the Enterprise Zone in which the investment occurs. The exemption includes the 5% State tax on gas, electricity, and the Illinois Commerce Commission's 0.1% administrative charge. Although local units of government may further exempt their public utility taxes on natural gas, electricity and water for eligible businesses, Rockford has no local utility tax to add to this State exemption.

About the Rockford Area Council of 100

The Rockford Area Council of 100 is a private, non-profit economic development organization whose mission is to recruit and retain employment and industry in Boone, Ogle, Stephenson, and Winnebago Counties in northern Illinois. We do not represent the owners or managers of real estate, nor do we accept commissions, fees, remuneration, or compensation of any kind for our services. Any inquiries regarding real estate are referred to licensed real estate agents, property managers, or property owners.

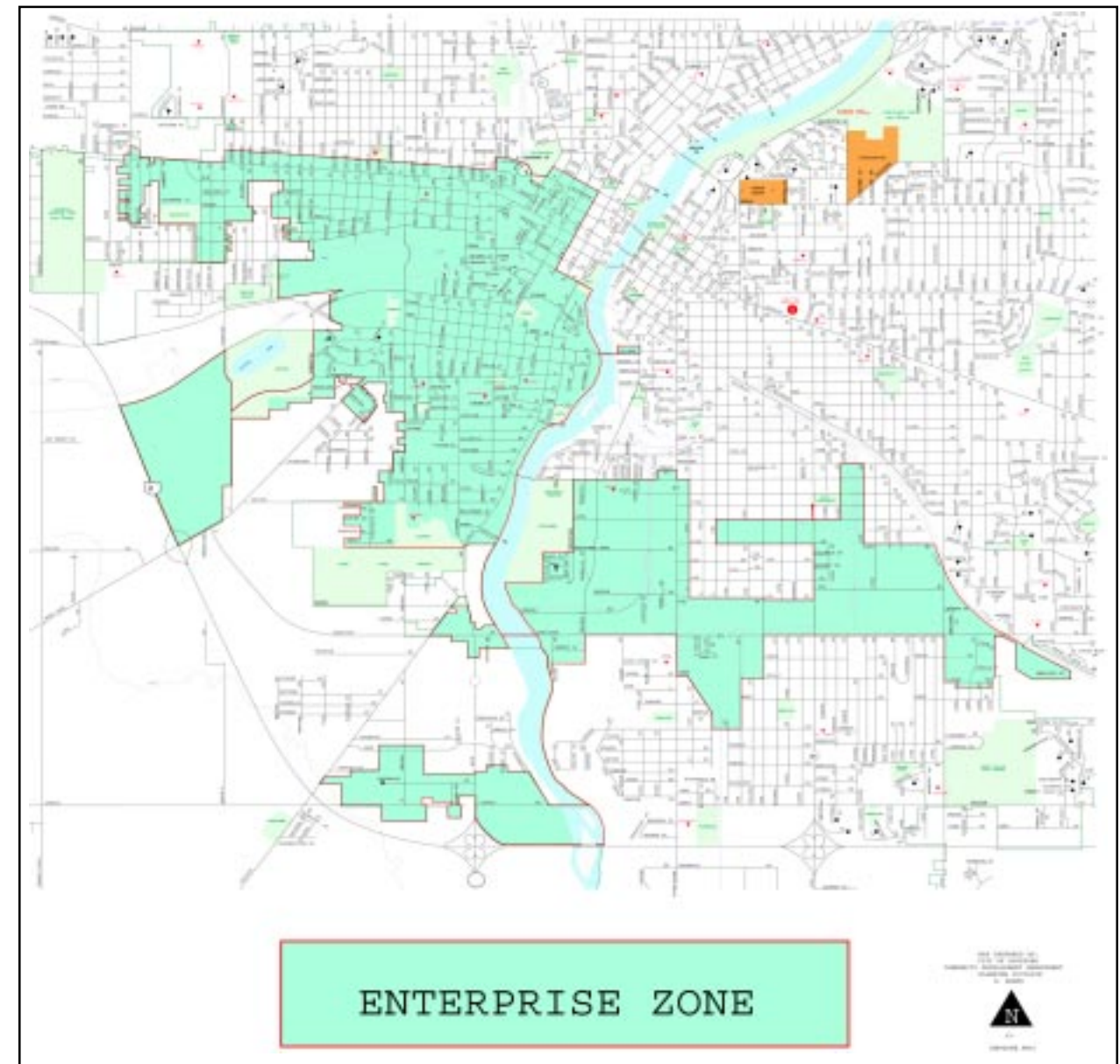
Rockford Area Council of 100
515 North Court Street
Rockford, Illinois 61103
Phone: (815) 987-8118
Fax: (815) 987-8129

**City of Rockford
Community Development Department**
425 East State Street
Rockford, Illinois 61104
Phone: (815) 987-5610
Fax: (815) 967-6933

Department of Commerce and Community Affairs (DCCA)
Local Representative: John Duncan
100 W. Randolph, Suite 3-400
Chicago, IL 60601

Enterprise Zone Benefits

City of Rockford



Introduction

Illinois Enterprise Zone legislation was first enacted by the State of Illinois in December 1982 to assist in the revitalization of certain areas that had been lacking in business growth and neighborhood improvement. On January 23, 1989, the City of Rockford's Enterprise Zone nearly doubled in size through a large Zone expansion approved by the State.

Today, the Enterprise Zone encompasses slightly over nine square miles in Rockford's southwest and southeast quadrants. The area is a mixture of older industrial and commercial properties with adjacent residential neighborhoods as well as vacant land awaiting industrial development. Since State law allows Enterprise Zones to cover a maximum of 12 square miles, expansion of Rockford's Zone to contiguous areas within the city limits is possible through a formal process involving both the City and the State.

The Enterprise Zone offers local and State tax incentives and other benefits to new and existing businesses to reduce their operating and construction costs. State legislation creating the Enterprise Zones specified a twenty-year life span. The Illinois Enterprise Zone Association recently successfully promoted legislation extending the State Zones for ten years.

Local Incentives

Property Tax Abatement

A three-year abatement of the increased property taxes due to increases in assessed value from new construction and/or rehabilitation of commercial and industrial properties is available if the improvements meet a 2:1 benefits/cost analysis. The benefit/cost analysis compares the value of the projected property and sales tax increases due to a project's job creation and job retention estimates with the property tax to be abated over three years.

The current property taxes on the *land* previous to construction, including any improvements already there, will not be abated. If increases in *land* values occur as a result of the improvements constructed, such increases in land values cannot be abated. To obtain the three-year Enterprise Zone tax abatement on the

increased taxes resulting from the increased value of construction, the applicant should file an abatement application with the Rockford Department of Community Development within ninety days of construction completion. Applications are available at City Hall.

Following Rockford City Council approval, copies of the business' abatement application filed with the City are forwarded to the Rockford Park District and School District #205 for their verification of a 2:1 benefit/cost ratio. A separate abatement application can be filed with the Winnebago County Board, prior to construction, for an abatement of the county tax levy, which is equal to about 6.5% of the total tax rate.

A Sample Enterprise Zone Calculation...

Assumptions:

Total value of improvements	\$3,000,000
Taxable portion (33.33%)	\$1,000,000
Cost of eligible building materials	\$1,200,000
JTPA eligible jobs	10
Property tax rate (1997)	11.6038%
Abated property tax*	10.4419%
Tax multiplier	1.0
State saletax	6.25%

Estimated Savings through Abatement

Year one	\$104,419
Year two	\$104,419
Year three	\$104,419
Sub Total	\$313,257

Other Savings

Estimated Jobs Tax Credit	\$5,000
Estimated Investment Tax Credit**	\$15,000
Sales Tax savings on materials	\$75,000

Estimated Total Savings.....\$408,257

*Includes abatements from the City, School District #205, Rockford Park District, and Winnebago County.

** Not including machinery and equipment purchased for the project.

State Incentives

Investment Tax Credit

Enterprise Zone businesses may claim an extra 0.5% of the cost ("basis") of qualified depreciable property placed in service in the Enterprise Zone as a credit on their state income taxes. This credit is in addition to existing 0.5% investment tax credit allowed all manufacturers in Illinois on state income taxes. For the purpose of this investment tax credit, "qualified property" refers to property which:

- Is tangible, whether new or used, including buildings and structural components of buildings;
- Is depreciable pursuant to Section 167 of the Internal Revenue Code; has a useful life of four or more years as of the date placed in service in an Enterprise Zone;
- Is acquired by purchase as defined in Section 179(d) of the Internal Revenue Code;
- Is used in the Enterprise Zone by the taxpayer in business operations; and,
- Has not been previously used in Illinois by a taxpayer who qualified for the credit.

Financing Program

The Illinois Department of Commerce and Community Affairs (DCCA) will participate in an eligible loan ranging between \$10,000 and \$750,000, but not exceeding 25% of the total project. DCCA's loan portion can be offered at 2% below prime rate, but with an interest floor of 3%. Eligible businesses include any for-profit entity with less than 500 employees (or not dominant in its market) locating in an Enterprise Zone. There are no industry restrictions or job creation/retention requirements. DCCA's subordination fee is waived for the Enterprise Zone participation loan. DCCA will allow the participating financial institution to retain 50 basis points to cover the costs of servicing the loan or it may elect to pass along the 50 basis points to the borrower.

Interest Deduction on Loans

Financial institutions may deduct from State income tax an amount equal to the interest received from a loan for development in the Enterprise Zone. The loan must be secured by "qualified property" in the Zone, and the business must be receiving the investment tax credit for such property.

Jobs Tax Credit

The Enterprise Zone Jobs Tax Credit allows a business \$500 credit on Illinois income tax for each job created in the Enterprise Zone for which a certified dislocated worker is hired. A minimum of five eligible workers must be hired to qualify for the credit. All five eligible employees must be employed for at least 180 consecutive business days for 30 hours per week in the company's taxable year. Any unused portion of the credit may be carried forward five years.

Dividend Subtraction

Individuals, corporations, trusts and estates can deduct from State income tax an amount equal to the dividends paid by a corporation that conducts substantially all of its operations in the Enterprise Zone. Contact the Illinois Department of Revenue for a definition of "substantially all" business activity.

Industrial Revenue Bonds

The Illinois Development Finance Authority (IDFA) has a debt limit set aside for bonds providing funding for the construction, rehabilitation or expansion of new and existing industrial firms located in an Enterprise Zone. The City of Rockford will work with manufacturing firms in the Enterprise Zone to access such funding.

Combined State and Local Incentives

Sales Tax Exemption

A 6.25% sales tax exemption is permitted on building materials physically incorporated into structures within an Enterprise Zone. A Purchasers' State-