

Fiscal Estimate Narratives

DOR 3/22/2005

LRB Number 05-2196/1	Introduction Number AB-174	Estimate Type Original
Subject Increase number of enterprise development zones		

Assumptions Used in Arriving at Fiscal Estimate

Under current law, an enterprise development zone (EDZ) program authorizes the Department of Commerce to designate certain areas of the state as EDZs. An EDZ is an area in which a single business is certified by Commerce to receive up to \$3 million in tax credits. Designation is based on criteria relating to high unemployment and poverty, declining property values and declining population. Commerce may designate 79 zones; at least 10 zones must be for environmental remediation. A zone may be in effect for no more than 84 months. The businesses claim the development zone credit based on the number of full-time jobs created or retained in the state and on amounts spent for environmental remediation.

The bill would increase the number of enterprise development zones that may be designated by the Department of Commerce from 79 to 84.

The bill would increase the amount of credits that may be claimed under the EDZ program by \$15 million over the life of the program. The estimated annual fiscal effect depends upon a number of factors that are unknown: when Commerce would certify businesses for credit, how much credit they would be certified for, when the businesses would fulfill obligations to claim the credit on their tax returns and what tax liability they would have to offset with the credit. Because this information is not available, an estimate of the annual fiscal effect cannot be generated.

Long-Range Fiscal Implications