



ENTERPRISE ZONES

Enterprise zones (EZ) are areas with a mix of commercial, industrial and residential uses that a municipality has targeted for economic development. Businesses, their employees and lenders realize several benefits by locating in one of these unique zones. There are currently two enterprise zones in the North Central Indiana Region located in Kokomo and the Grissom Aeroplex.

Benefits to businesses include:

- **Inventory Tax Credits.** Taxes on inventory located in the EZ may be waived. Inventory includes wholesale or retail resale merchandise, raw materials and supplies, work-in-progress and finished goods. (Note: The Indiana inventory tax will be phased out statewide by 2007.) (I.C. 6-1.1-20.8)
- **Employment Expense Credit.** A business may qualify for a state tax credit against the wages it pays to qualified employees who live in the EZ, work 50 percent of their time in the EZ and have at least 90 percent of their services directly related to the employer's facility in the EZ. (I.C. 6-3-3-10)
- **Industrial Recovery Site.** A business may receive a tax credit to offset the cost of rehabilitating a property in the EZ which meets certain age, square footage and vacancy requirements and has been designated an industrial recovery site. The credit may be applied to the adjusted gross income tax, the insurance premiums tax and the financial institutions tax paid by the business and may be 15, 20 or 30 percent based on the amount of the qualified investment. If the credit is greater than the tax liability, excess credit may be carried over into the subsequent tax year. (I.C. 6-3.1-1.1)

Benefits to lenders include:

- **Loan Interest Credit.** If an Indiana taxpayer, either an individual or a business such as a bank, loans money to improve an EZ business, or to upgrade a residential home located in the EZ, the taxpayer is eligible to get a credit of five percent that may be applied to offset the Indiana state income taxes or certain financial institution taxes on the interest income generated by the loan. (I.C. 6-3.1-7)

Benefits to individuals include:

- **Investment Cost Credit.** Individuals buying an ownership interest in a business in the EZ may qualify for an investment cost credit up to 30 percent of the purchase price that can be deducted from their state individual income taxes. (I.C. 6-3.1-10)
- **Employee Tax Deduction.** Up to \$7,500 of a qualified employee's wages may be exempt from Indiana state income taxes. (I.C. 6-3-2-8)

Since the program began, companies in the two Enterprise Zones in the North Central Indiana Region and 27 other Enterprise Zones in Indiana have saved nearly \$43 million in real and personal property and income taxes and have accounted for more than \$830 million in business reinvestment. (I.C. 6-3-2-8)