

ENHANCED ENTERPRISE ZONE – ROLLA, MO

Overview

The Missouri Enhanced Enterprise Zone (EEZ) program gives cities authority to partner with the State in providing financial incentives for qualifying projects. Rolla's Enhanced Enterprise Zone currently covers the entire corporate limits of the community as it existed before March 24, 2010 – the date of designation by the Missouri Department of Economic Development. The EEZ enables Rolla's elected leaders to promote a wide variety of business development projects using local property tax abatements and state income tax credits.

Statutory Requirements

Development projects proposed for EEZ benefits must meet statutory conditions required by the State of Missouri in Sections 135.950 to 135.973, RSMo. Projects must also meet conditions adopted in City Council Resolution number 1705, dated December 21, 2009 and Phelps County Resolution number 2010-002. Businesses must be located in an approved EEZ to be eligible for the program (please refer to the Rolla EEZ map.)

Types of Projects Eligible for Possible Participation

Qualifying projects must meet defined standards for participation in the EEZ program. Eligibility criteria are:

- (1) Minimum investment and employment criteria, in accordance with state and local guidelines, must be met in order for projects to qualify for the program. The minimum investment and employment criteria are:
 - New or expanded business facilities - 2 new employees and \$100,000 new investment.
 - Replacement business facilities – 2 new employees and \$1,000,000 new investment.
- (2) Projects must be for business and industry types specifically authorized by the State of Missouri and Rolla City Council Resolution number 1705 to be eligible for the EEZ program. Businesses must fall within the North American Industry Classification System (NAICS) industry codes. The NAICS codes approved by Rolla provide incentives and are available for a wide array of projects. Industry codes eligible for the Rolla EEZ program are:

Qualifying Industries by NAICS Code

22 – Utilities

23 – Construction

31-33 – Manufacturing

42 – Wholesale and Distribution

48-49 – Transportation and Warehousing

51 - Information Services

54 – Professional, Scientific and Technologies Services

56 – Administrative and Support and Waste Management and Remediation Services

71 – Arts, Entertainment and Recreation, excluding gaming operations

72 – Accommodation except Food and Drink places

81 – Other services except religious organizations

Certain types of businesses and industry clusters may not participate in EEZ programs. They include:

- *Gaming establishments (NAICS sector 7121)
- *Retail trade (NAICS sectors 44 and 45)
- *Religious organizations (NAICS sector 8131)
- *Public administrators (NAICS sector 92)
- *Food and drinking places (NAICS subsector 722) and prohibited by statutes from participating in the program.

Service industries may be eligible if a majority of their annual revenues will be derived from non-Missouri sources. Headquarters or administrative offices of otherwise excluded businesses may qualify if the offices serve a multi-state territory. Companies applying for benefits under the EEZ program cannot have announced their projects or started construction prior to being approved.

Local Property Tax Abatements

Rolla provides a minimum of local property tax abatements of 50% for ten years for expenditures related to qualified EEZ projects. The tax abatements pertain to the amount of new property taxes resulting from projects. Pre-development property taxes remain unchanged and are payable to local governmental entities.

The City will consider higher levels of property tax relief for projects that involve capital investments exceeding \$100,000 and the creation of two new jobs. Property tax abatements may not exceed 80% for 20 years. Please see the attached exhibit titled **Rolla Enhanced Enterprise Zone Benefit Level Options**.

State Income Tax Credits

State of Missouri income tax credits may be provided each year for up to five tax years after qualifying. EEZ State income tax credits theoretically can equal up to 2% of the amount of the new investment. Eligible investment expenditures include the original cost of machinery, equipment, furniture, fixtures, land and building and/or eight times the annual rental rate paid for the same. Inventory is not an eligible expense. This tax credit can be applied to Chapter 143 Income taxes, not including withholding taxes, and they can only be applied to tax liabilities for years in which they were earned. The tax credits are refundable, or they may be transferred, sold or assigned. The sales price of tax credits sold cannot be less than 75% of the actual amount of the credit awarded for projects.

The State of Missouri evaluates all applications separately, and companies seeking participation in the EEZ program must apply directly to DED for the income tax credits. The State applies a formula to applications to determine the amount of income tax credits it actually will award to qualified projects. Eligible projects will not necessarily receive the full amount of benefits from the State for which they might otherwise qualify because there is an annual limit on the amount of income tax credits that can be awarded each year. Applicants, therefore, are strongly urged to discuss the program with Rolla officials early in their deliberations to enhance chances of approval by the State.

ROLLA ENHANCED ENTERPRISE ZONE BENEFIT LEVEL OPTIONS	
<u>QUALIFICATION REQUIREMENTS</u>	<u>ABATEMENT LEVEL / TERM</u>
Minimum Requirements –As determined by DED 2 new FT employees and \$100K minimum Investment	50% abatement for 10 years
ADDITIONAL ABATEMENT INCREMENTAL BENEFITS	
New Jobs	
5 + New FT employees	5% additional abatement
15 + New FT employees	10% additional abatement
25 + New FT employees	15% additional abatement
50 + New FT employees	25% additional abatement
100 + New FT employees	25% additional abatement + 5 years
250+ New FT employees	25% additional abatement + 10 years
Average Payroll	
Average new payroll at 100% of country average	0% additional abatement
Average new payroll at 110% of country average	5% additional abatement
Average new payroll at 120% of county average	10% additional abatement
Average new payroll at 130% of country average	10% additional abatement + plus 5 years
Investment	
Capital Investment exceeding \$5 million	5 % additional abatement
Capital Investment exceeding \$10 million	10 % additional abatement
Capital Investment exceeding \$25 million	15 % additional abatement
Capital Investment exceeding \$50 million	15 % additional abatement + 5 years
Capital Investment exceeding \$75 million	15% additional abatement + 10 years

A project can combine any of the additional abatement benefits not to exceed 80% for 20 years.

City Application/Approval Process

Companies planning to either move to Rolla or to expand existing facilities in the City should contact the City of Rolla Community Development Department (573) 364-5333 as soon as they begin actively considering their projects if they wish to use Rolla EEZ benefits. Documentation will be provided to assist companies in applying for the program with the State and the City. It is important that the whole application process be conducted simultaneously to maximize possible benefits from the EEZ program.