

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** W. Roscoe Reynolds

3. **Committee** Senate Finance

4. **Title** Enterprise Zone Act: Enterprise Zone Designations

2. **Bill Number** SB 735

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase from two to three the number of noncontiguous zone areas that may comprise an enterprise zone in any county, city or town. In addition, this bill would extend the sunset date for the Enterprise Zone Act from July 1, 2005 to July 1, 2010.

The effective date of this bill is not specified.

6. No Fiscal Impact: (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

The Department would incur no administrative costs to implement this bill.

This bill would have no revenue impact, as the revenue forecast assumes the extension of the Enterprise Zone Act.

9. Specific agency or political subdivisions affected:

Department of Taxation

Department of Housing and Community Development

10. Technical amendment necessary: No.

11. Other comments:

General

In 1982, the General Assembly established the Virginia Enterprise Zone Program to stimulate business and industrial growth in designated enterprise zones. The state program stimulates revitalization by offering regulatory flexibility and a series of tax credits and grants. An enterprise zone is a distinct geographical area designated by the Governor

and stays in effect for 20 years from the date of zone designation. Virginia law permits the designation of 60 enterprise zones.

There are currently 57 state-designated enterprise zones. At this time, one enterprise zone located within any county, city, or town to may consist of two noncontiguous zone areas. In addition, a joint enterprise zone may consist of the joint zone plus one noncontiguous zone area in each of the localities sharing the joint zone. The noncontiguous zones are not be considered separate zones for purposes of calculating the maximum number of zone designations established under the Enterprise Zone Act.

An area seeking designation as an enterprise zone must meet at least one of the following criteria: (i) have 25% or more of the population with incomes below 80% of the median income of the jurisdiction, (ii) have an unemployment rate 1.5 times the state average, or (iii) have a demonstrated floor area vacancy of industrial and/or commercial properties of 20% or more.

Proposal

This bill would increase from two to three the number of noncontiguous zone areas that may be established in connection with one state designated enterprise zone within a locality. However, this bill would not expand the allowed number of enterprise zone areas.

In addition, this bill would extend the sunset date for the Enterprise Zone Act from July 1, 2005 to July 1, 2010.

Other Legislation

House Bill 2001 would extend the sunset date of the Enterprise Zone Act from July 1, 2005 to July 1, 2006.

House Bill 2207 would repeal the sunset date of the Enterprise Zone Act.

House Bill 1952, House Bill 1964, House Bill 2279, Senate Bill 733 and Senate Bill 848 would increase the number of years that an area could be designated as an enterprise zone from 20 to 22 years and extend the sunset date of the Enterprise Zone Act from July 1, 2005 to July 1, 2007.

House Bill 2570 and Senate Bill 983 would repeal the Enterprise Zone Act and replace it with an Enterprise Zone Grant Program. Businesses already receiving tax credits under the existing Enterprise Zone program would continue to receive them.

Senate Bill 1182 would extend the sunset date of the Enterprise Zone Act from July 1, 2005 to July 1, 2007.

cc : Secretary of Finance

Date: 1/25/2005 AMS
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