

DEPARTMENT OF TAXATION

2005 Fiscal Impact Statement

1. **Patron** Frederick M. Quayle

3. **Committee** Senate Commerce and Labor

4. **Title** Enterprise Zone Act: Extension of Authority

2. **Bill Number** SB 848

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would increase the number of years that an area could be designated as an enterprise zone from 20 to 22 years. In addition, this bill would extend the sunset date of the Enterprise Zone Act from July 1, 2005 to July 1, 2007.

This bill contains an emergency clause making the provision extending zone designations to 22 years retroactive to January 1, 2005.

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. In addition, this bill would have no revenue impact as the revenue forecast assumed that the Act would be extended.

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.

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.

Six enterprise zones expired as of January 1, 2005. They are located in: the cities of Chesapeake, Hampton, Hopewell, and Petersburg; the counties of Carroll and Wythe (a joint zone); and the town of South Hill. Under this bill, these zones would continue with the existing localities instead of being offered to other localities. In 2004, when five zones expired, the Department of Housing and Community Development received twenty applications representing twenty-nine localities for those openings.

Proposal

This bill would increase the number of years that the designation of an area as an enterprise zone remains in effect from 20 to 22. This would extend the designations for the six enterprise zones listed above until January 1, 2007. In addition, this bill would extend the sunset date of the Enterprise Zone Act from July 1, 2005 to July 1, 2007.

This bill contains an emergency clause making the provision extending zone designations to 22 years retroactive to January 1, 2005.

Other Legislation

House Bill 1952, House Bill 1964, House Bill 2279, and Senate Bill 733 are identical to this bill.

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

Senate Bill 735 would increase the number of noncontiguous zone areas that may make up one enterprise zone in any county, city or town from two to three and extend the sunset date of the Enterprise Zone Act from July 1, 2005 to July 1, 2010.

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: 1/16/2005 AMS
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