



Sample Calculation of Benefits – Enterprise Zone

Project XYZ could earn a corporate income and corporate franchise tax credit of \$2,500 for each of the 200 new employees, or \$500,000.

Project XYZ's state sales/use tax liability from construction is the sum of the 4.0% state rate times the cost of two separate groups of purchases. The first is the Taxable Capital Investment less Machinery and Equipment, or \$50,000,000. The second is the \$50,000,000 worth of Machinery and Equipment, which if installed after July 1, 2009 is not subject to state sales tax. The \$50,000,000 Taxable Capital Investment less Machinery and Equipment is the total figure subject to state sales tax.

The state sales/use tax liability on total taxable capital investment is estimated to be \$2,000,000. The local sales/use tax liability is simply 5.00% times the \$100,000,000 of taxable capital investment, or \$5,000,000. The total sales/use tax liability is \$7,000,000.

Under the Enterprise Zone Program, the \$2,000,000 paid to the state is rebated back to Project XYZ. The 1.00% local sales tax rebate assumed is \$1,000,000, making the total sales tax rebate \$3,000,000.

With the \$500,000 corporate income and corporate franchise tax credits and the \$3,000,000 in rebated sales/use tax, the total benefit from the Enterprise Zone program is \$3,500,000.



Sample Calculation

Corporate income and corporate franchise tax credit:

Number of new jobs created	200
Credit per new job created	\$2,500
Total credit	\$500,000

State sales tax rebate:

Project XYZ's purchase of M&E	\$50,000,000
Taxable portion of M&E (0%)	\$0
Taxable capital investment less Machinery & Equipment	\$50,000,000
Total amount subject to state sales tax	\$50,000,000
State sales tax rate	4.0%
State sales tax liability	\$2,000,000
Rebate: (100%)	\$2,000,000

Local sales tax rebate:

Total taxable capital	\$100,000,000
Local sales tax rate	5.00%
Local sales tax liability	\$5,000,000
Rebate: (1.0% assumed)	\$1,000,000

Total sales tax rebate: \$3,000,000

Total Enterprise Zone Benefit \$3,500,000