

# Sponsor Statement for Senate Bill 312

## Enterprise Zones

**“An act relating to enterprise zones.”**

Senate Bill 312 will authorize the Governor to declare certain areas of Alaska “Enterprise Zones.” An enterprise zone is an area that is in economic trouble with potential for rebuilding and growth. The bill is designed to offer economic incentives for business to locate their operations in the area and to hire people that reside in that area.

Traditionally, enterprise zones around the country have relied on credits or exemptions toward State taxes or fees. Since the State of Alaska has little in the way of taxes this bill will combine breaks from state taxes with the authorization for local communities to offer their own incentives for these zones. The possible state and city/borough incentives are as follows:

### Local Incentives

- 1) Reduction of municipality’s permit or user fees.
- 2) Credits toward of exemptions from property taxes.
- 3) Flexibility in regulations like zoning, permitting and exemptions from local ordinances.
- 4) Lease or sale of the municipality’s real property within the zone as long as the property was not designated for public use.

### State Incentives

- 1) 15% of the initial investment in the area would count as a credit to state corporate income taxes.
- 2) After a business operates in a zone for one year they would qualify for a \$500 corporate income tax credit for each new employee hired.

These incentives will allow and encourage business to invest and develop in areas of our state that have seen economic decline in the recent past. If the program becomes successful at the state level it would help some communities qualify for federal grants and federal tax exemptions offered by the [Department of Housing and Urban Development](#) (HUD) and the [U.S. Department of Agriculture](#) (USDA).

Passage of [SB 312](#) will help to spur investment into areas of the state that have experienced economic downturn.