

Montgomery County Enterprise Zone

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Montgomery County Enterprise Zone Process Guide

Effective March 1, 1990, the State of Illinois designated 15.0 square miles in Montgomery County as an Enterprise Zone for a term of 20 years. As of January 9, 2009 the Illinois Department of Commerce and Economic Opportunity (DCEO) extended the life of the Montgomery County Enterprise Zone for an additional 10 year term until February 28, 2020. In January of 2018, DCEO approved a new EZ application for Montgomery and the new termination date is January 1, 2033. Qualified new and existing businesses in the Zone are offered state and local tax incentives and other benefits to reduce operating and construction costs.

Participating Municipalities in the Montgomery County Enterprise Zone

Butler, Coalton, Coffeen, Donnellson, Hillsboro, Irving, Litchfield, Nokomis, Raymond, Schram City, Taylor Springs and Witt have Enterprise Zone territory. Check the County Web site for the parcels that are approved in the EZ by each unit of government. The Enterprise Zone Program is a state and local partnership. It emphasizes a creative coalition of state and local governments, business, labor and community groups to encourage economic growth in the Enterprise Zone. The Montgomery County Enterprise Zone is set aside to attract new industry and revitalize existing businesses by providing initiatives and financial incentives. The information in this guide provides further information on which projects might qualify for the Montgomery County Enterprise Zone as well as further information on the incentives potentially available.

Property Tax Abatement

Property tax abatement shall be applicable for eligible office, warehouse/distribution and industrial real property for which construction improvements, renovation or rehabilitation has been completed after January 1, 2018, and before December 31, 2033. Property taxes are abated based on the increase in assessed valuation due to new construction, renovation or rehabilitation of eligible office, warehouse distribution and industrial properties. The abatement will begin with real estate taxes for the first full year of the facility's commercial operation. Designating units of government shall be abated on property located within the Zone and upon which new improvements have been constructed according to the following schedule:

| Amount of Increase in Value | Term of Abatement | Percentage of Abatement |
|------------------------------------|--------------------------|--|
| Up to \$2 million | 3 years | 100% |
| \$2 million to \$5 million | 5 years | 100% |
| \$5 million and above | 10 years | 100% for years 1-5 50% for years 6-10 |

Abatement from participating governmental entities for the specific project will cease after the above stated time or upon expiration of the enterprise zone, whichever occurs first.

In order to receive property tax abatement, the Montgomery County Enterprise Zone Administrator must receive a formal written request for abatement from the property owner prior to the start of construction. Project forms must be completed and returned. The above property tax abatements shall be applicable for eligible industrial, manufacturing, logistics/distribution center projects, and for retail/service/commercial property developments located within the zone for increases in assessed valuation to real property upon which new construction, improvements, renovation or rehabilitation has been completed after January 1, 2020, and before the expiration, termination or decertification of the Montgomery County Enterprise Zone, whichever is sooner. Abatement shall only apply to the incremental increase in taxes assessed as a result of the project and its related improvements.

Project Application Approval

No project shall be granted property tax abatement until or unless a Project Application has been submitted to the Administrator of the Montgomery County Enterprise Zone, to insure eligibility and qualifying criteria have been met. Enterprise Zone Property Tax Abatement will not be granted if a project has begun construction prior to receiving approval of an Abatement request from the Administrator. Applicants requesting Building Materials Exemption Certificates (BMEC) from the Administrator and the Illinois Department of Revenue will not receive benefits for materials purchased prior to the issuance of a BMEC by the Illinois Department of Revenue.

Definitions

- **“Project Application”** as defined herein is the written application for Montgomery County Enterprise Zone benefits for job development and capital investment projects. The application must be completed by the company seeking benefits (or the company’s designated representative) and submitted to the Montgomery County Enterprise Zone Administrator prior to the initiation of construction for said project. The Application provides information necessary for the Administrator to verify eligibility for Enterprise Zone benefits including, but not limited to, Property Tax Abatement and Sales Tax Exemption for Building Materials in conjunction with the Illinois Department of Revenue processes and procedures in effect at the time of the Application.
- **“Industrial/Manufacturing Projects”** as defined herein, are enterprises where the manufacturing or assembling of goods takes place.
- **“Logistic(s)/Distribution Center Projects”** as defined herein, are warehousing and distribution enterprises that are engaged in the storage and/or packaging of goods and/or information and the transfer or transportation of products from a point of origin to a point of consumption. Data Centers supporting Information Storage and distribution are included in this category.
- **“Retail/Service/Commercial Projects”** as described herein, are enterprises in the business of selling products or services to the general public or wholesale customers as well as restaurants, hotels/motels, assisted living and related concerns, and enterprises that are research oriented and/or provide professional services such as accounting, engineering, architecture, finance, law and telemarketing companies.

Exclusions

Retail/Service/Commercial Companies engaged in the following categories of business below shall be ineligible for any property tax abatement as provided herein: Self-storage (mini warehouse facilities), Adult Entertainment Venues including Adult Bookstores, Auto Salvage and Junk Yards, Commercial Feed Lots, Hides-Skins and Raw Furs Processing, Landfills and Refuse Incinerators and Slaughter House, Meat Packing, Processing Plants and Stockyards. All residential and apartment projects shall be ineligible for any benefits herein established in the Montgomery County Enterprise Zone including sales tax exemption on building materials.

No Tax Levy Objection

Taxpayers receiving Montgomery County Enterprise Zone property tax abatements under the terms and conditions outlined above, agree that they shall not file an objection to the real estate property assessment levied on the site and or facilities. In the event any real estate property tax protestor objection is filed for the subject property, the Enterprise Zone property tax abatement for the subject property shall automatically terminate.

Sales Tax Exemption

A point-of-sale tax exemption is available on building materials incorporated into real estate in the Montgomery County Enterprise Zone. In order to receive this exemption, building materials must be used for remodeling, rehabilitation or permanent new construction. Construction must be of the nature that a building permit would be required. A completed exemption form with original signatures must be submitted to the Zone Administrator prior to the start of the project. An exemption form is attached to this document.

- In addition to the completed exemption form, the applicant must submit a copy of the approved building permit issued by the applicable local unit of government. The Administrator will verify the project is eligible and located within the Zone Boundary. The approval process for a sales tax exemption could take up to 5 days.
- Residential properties are not eligible for sales tax exemption with the exception of certain multi-family developments. Eligible multi-family properties are defined as a project containing three (3) or more dwelling units in one building with a minimum construction/rehabilitation value of \$100,000 per unit. Construction value may include common area and building systems costs, apportioned to each unit within the structure.
- The City, County and State exemptions provide a full abatement of sales tax on construction materials. Companies undertaking projects in the Enterprise Zone are encouraged to purchase building materials locally and to use local labor.
- Enterprise Zone participants have been granted an exemption of the State, City and County sales tax. Sales tax is exempted on building materials incorporated into real estate located in the Montgomery County Enterprise Zone. The exemption applies to building and construction materials used for remodeling, rehabilitation or new construction.

Sales Tax Deduction and the Retailer's Role

Each retailer who makes a qualified sale of building materials to be incorporated into real estate by remodeling, rehabilitation or new construction in the Montgomery County Enterprise Zone, may deduct receipts from such sales when calculating the tax imposed by this Act. For purposes of this Section, "qualified sale" means a sale of building materials that will be incorporated in to real estate as part of a building project for which a Certificate of Eligibility for Sales Tax Exemption has been issued by the administrator of the enterprise zone in which the building project is located. To document the exemption allowed under this Section, the retailer must obtain from the purchaser a copy of the Certificate of Eligibility for Sales Tax Exemption issued by the administrator of the Montgomery County Enterprise Zone. The Certificate of Eligibility for Sales Tax Exemption must contain:

- A statement that the building project identified in the Certificate meets all the requirements for the building material exemption of the Montgomery County Enterprise Zone
- The location or address of the building project

In addition, the retailer must obtain certification from the purchaser that includes:

- A statement that the building materials are being purchased for incorporation into real estate located in the Montgomery County Enterprise Zone
- The location or address of the real estate into which the building materials will be incorporated
- The name of the enterprise zone – Montgomery County Enterprise Zone – in which that real estate is located
- A description of the building materials being purchased
- The purchaser's signature and date of purchase

The ordinance that governs the enterprise zone into which the building materials will be incorporated may neither require nor prohibit the purchase of building materials from any retailer or class of retailers in order to qualify for the exemption.

Administrative Fee

The Admin Fee is 0.5% of the cost of building materials of the project associated with the specific Enterprise Zone, with a maximum fee of no more than \$50,000. This Admin Fee pays for the administration of the EZ program and GIS mapping expenses. The EZ Admin Fee of 0.5% of the estimated building materials will be calculated and one half will be collected at the beginning of the project and the balance will be calculated at the end of the project when all the building material costs are totaled.

Building Permit Fee Waiver

If applicable, the Cities of Coffeen, Hillsboro, Litchfield, Nokomis and Witt, Illinois; and the Villages of Butler, Coalton, Donnellson, Irving, Raymond, Schram City, and Taylor Springs, Illinois will waive the normal amount charged for any and all fees or building permits necessary for rehabilitation, expansion or new construction associated with eligible industrial, manufacturing, logistics/distribution center projects, and for retail/service/commercial projects, as defined herein, within the Montgomery County Enterprise Zone. The provision of this incentive shall not be construed to provide for the elimination of any permit.

Tax Increment Financing (TIF) District or Redevelopment Area Overlay

In the event that a Tax Increment Financing (TIF) District or redevelopment district or project area (20 ILCS 655/5.4.1) is, will be, or has been created by a municipality under Division 74.4 of the Illinois Municipal Code, and said redevelopment project area contains property that is located in an enterprise zone, and the municipality adopts an enterprise zone designating ordinance pursuant to Section 5.4 of the Act specifically concerning the abatement of taxes on property, as above, located within a redevelopment project area created pursuant to Division 74.4 of the Illinois Municipal Code, and the Department certifies the Ordinance, then the property that is located in both the enterprise zone and the redevelopment project area or TIF District shall not be eligible for the abatement of taxes under Section 18-170 of the Illinois Property Tax Code.

Business Enterprise for Minorities, Women, and Persons with Disabilities

The Designating Units of Government are committed to the development of businesses owned by minorities, women and disabled persons, as defined in the Business Enterprise for Minorities, Women and persons With Disabilities Act (30 ILCS 575), in the Montgomery County Enterprise Zone. Further, as described in the Illinois Enterprise Zone Act (20 ILCS 655/4.e.11), the Designating Units of Government are committed to encouraging employers located within the boundaries of the Montgomery County Enterprise Zone to hire minorities, women and disabled persons in accordance with the intent of the Act and the regional economic development strategy.

Upon Project Completion

Businesses receiving a Sales Tax Exempt Certificate must report at the close of the project on the DCEO Web Site.

Frequently Asked Questions

What is the enterprise zone property tax abatement incentive? The Illinois Revenue Act 35 ILCS 200/18-170, as amended, provides that any taxing district may order the county clerk to abate (that is, to give up) any portion of its taxes on real property, or on any particular class thereof, located within a zone and upon which new improvements have been renovated or rehabilitated.

Are taxes reduced on the current value of the property (or on existing improvements)? No. The abatement applies only to taxes on the increase in assessed value attributable to the new construction, renovation or rehabilitation. Taxes based on the assessed value of land and existing improvements continue to be extended and collected.

If property tax abatement is authorized, are new improvements made to property located within a zone assessed? Yes. By law, every time property is improved, it is reassessed.

How do these incentives affect the multiplier? They don't. The multiplier or equalization factor is the application of a percentage increase or decrease, generated by the Illinois Department of Revenue, in order to adjust assessment levels in various counties to the same percentage of full value. Multipliers are not affected by the enterprise zone property tax abatement provision or by county assessment reductions.

Does the abatement of taxes on improvements in an enterprise zone affect the tax rate? Yes, however in most cases the effect will be marginal. Tax rates depend on the levy (amount of tax revenue the local government is raising) and the size of the tax base (total equalized assessed valuation of the district less homestead exemptions, plus the value of any State assessed property). Under normal circumstances, the tax rate for a district is calculated by dividing the district's tax levy by its tax base. The greater the tax base, the lower the rate needed to generate the amount of the levy. Under the Enterprise Zone Program, the value of abated property is subtracted from the tax base prior to the calculation of the tax rate. In most cases, the tax base is large enough and the enterprise zone abatements are low enough that the overall effect is negligible.

How does the enterprise zone property tax abatement provision in 18-170 of the Revenue Act differ from the property tax provision in 18-165? The enterprise zone provision is broader and more flexible. The enterprise zone property tax abatement:

- May be offered on all classes of real property, including commercial, residential and industrial (18-165 abatements are limited to commercial and industrial improvements). Please see page 2 of this Guide to see if your project qualifies under the Montgomery County Enterprise Zone provisions.
- May be offered for any number of years, up to the termination date of zone certification (18-165 abatements cannot exceed 10 years). Please see page 2 of this Guide to see the years and percentage abatement offered to qualified projects under the Montgomery County Enterprise Zone provisions.
- May be offered by a taxing district in amount (the abatement offered under 18-165 limits the aggregated amounts of an abatement offered by all taxing districts to \$3,000,000).

Can property tax be abated in a tax increment finance district (TIF)? Tax increment financing is a financing technique that cities may use to pay for public improvements such as land assemblage, building demolition, utilities, streets, and sidewalks. Property owners in the project area do pay their full share of taxes. Taxes generated by the increase in assessed valuation – the tax increment – go into a special allocation fund used to pay the bonds which financed the public improvement costs. This financing method is not a tool to speculatively prepare for development – tax increment financing requires an advance commitment by a developer to a project. Property tax abatement is, however, a tool that is used for development. It is not a financing technique. The Revenue Act provides that any taxing district, upon a majority vote of its governing authority, may order the county clerk to abate any portion of its taxes on improvements made to real property located in a zone. The increase in assessed valuation due to new construction, rehabilitation or renovation is not taxed for the term of the abatement as set by local ordinance. A TIF district may be included in the legal description of the zone and consequently be eligible to receive other tax incentives and benefits, but the property tax abatement provision must exclude the TIF district from the area eligible for abatement.

What qualifies as “building materials” eligible for the sales tax deduction? Building materials that are eligible for the enterprise zone sales tax deduction include items that are permanently affixed to real property such as lumber, mortar, glued-down carpets, paint, wallpaper and similar affixed items.

Montgomery County Enterprise Zone Application

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1. Name of Business: _____

FEIN#: _____ Parcel Number: _____

2. Mailing Address/City/Zip: _____

3. Business Phone: _____ Cell: _____ Email: _____

4. Address of Proposed Enterprise Zone Project: _____

5. Please provide a “general description” of proposed zone project, including plans for rehabilitation/remodeling of existing structures, new construction, major on-site improvements, or new equipment, purchases, etc.

6. Proposed Date of Project Start: _____ Estimated Completion Date: _____

7. Estimated Costs for Zone Improvements:

a) Estimated Cost of New Construction: \$ _____

b) Estimated Cost of Rehab/remodeling: \$ _____

c) Estimated Cost of Site/Land Acquisition: \$ _____

d) Cost of Capital Equipment: \$ _____

e) Estimated Cost of Project Building Materials \$ _____

f) Admin Fee (0.5% of Building Materials) \$ _____

The Admin Fee is 0.5% of the cost of building materials of the project associated with the specific Enterprise Zone, with a maximum fee of no more than \$50,000. The EZ Admin Fee of 0.5% of the estimated Building Materials will be calculated and one half will be collected at the beginning of the project and the balance will be calculated at the end of the project when all the building material costs are totaled.

g) **Total Project Cost:** \$ _____

11. Number of Full-Time Equivalent Jobs Presently at Project Location: _____

Jobs Retained at location: _____ Jobs Created Within 2 Years of Project Completion: _____

12. Signature of Project Representative: _____

Printed Name

Title

Date

MONTGOMERY COUNTY ENTERPRISE ZONE CERTIFICATE OF SALES TAX EXEMPTION

THIS CERTIFICATION MUST BE FILED WITH EACH RETAILER AT THE TIME BUILDING MATERIALS ARE ORDERED

This is to certify that the project listed below is within the Montgomery County Enterprise Zone and is eligible for Sales Tax Exemption on building materials purchased for the period

Beginning date: _____ and ending date: _____

Each contractor and sub-contractor for a project must apply for a Sales Tax Exemption Certificate. This exemption applies only to materials purchased from eligible retailers. Please see attached for qualifying materials. This certification should be retained and filed with invoices for tax exempt building materials purchased for this project.

Project Name: _____ Phone: _____

Project Address: _____

FEIN# _____ Email Address: _____

Project Owner Name: _____

Contractor's Name: _____ FEIN#: _____

Contractor's Address: _____

Contractor's Email Address: _____ Phone: _____

Project Description: _____

Contract **Cost of Building Materials**
Amount \$ _____ **that Qualify for Exemption: \$** _____ **Sales Tax %** _____

NOTE: A CONTRACTOR OR BUILDER WHO ILLEGALLY USES THIS CERTIFICATION TO OBTAIN BUILDING MATERIALS FOR A PROJECT AT A LOCATION OTHER THAN THE LOCATION LISTED ABOVE WILL FORFEIT ALL LOCAL ENTERPRISE ZONE BENEFITS.

I hereby certify that the materials purchased with this certificate will be incorporated into the project address listed above and that I have obtained a building permit for this project.

Signature of Project Representative Title Date

Sub-Contractor List for Certificate of Sales Tax Exemption

Each sub-contractor for a project must apply for a Sales Tax Exemption Certificate

Sub-Contractor Business Name: _____ FEIN #: _____

Business Address: _____

Contact Name: _____ Phone: _____

Email address: _____

Type of Business: _____

Contract
Amount \$ _____ **Cost of Building Materials**
that Qualify for Exemption: \$ _____ **Sales Tax %** _____

Sub-Contractor Business Name: _____ FEIN #: _____

Business Address: _____

Contact Name: _____ Phone: _____

Email address: _____

Type of Business: _____

Contract
Amount \$ _____ **Cost of Building Materials**
that Qualify for Exemption: \$ _____ **Sales Tax %** _____

Sub-Contractor Business Name: _____ FEIN #: _____

Business Address: _____

Contact Name: _____ Phone: _____

Email address: _____

Type of Business: _____

Contract
Amount \$ _____ **Cost of Building Materials**
that Qualify for Exemption: \$ _____ **Sales Tax %** _____

Sub-Contractor Business Name: _____ FEIN #: _____

Business Address: _____

Contact Name: _____ Phone: _____

Email address: _____

Type of Business: _____

Contract
Amount \$ _____ **Cost of Building Materials**
that Qualify for Exemption: \$ _____ **Sales Tax %** _____

Qualifying Materials for EZ Sales Tax Exemption

Purchase of eligible building materials outside Illinois is allowed as long as the purchase is governed by the Illinois Retailers' Occupation Tax Act. For out-of-state purchases, this generally means that materials must be delivered to Illinois. For specific information about out-of-state purchases, please contact the local office of the Illinois Department of Revenue at 217-782-3336.

Under Illinois law, construction contractors are considered the end users of the tangible personal property that they take off the market and permanently affix to real estate. Contractors who also sell at retail cannot act as retailers to themselves (by removing stock from their inventory) and claim the enterprise zone exemption. To qualify for the exemption, they must instead purchase qualifying materials from eligible retailers or separately bid and invoice labor and materials sold at retail.

Qualifying materials under the exemption include those that will be incorporated into real estate located in an enterprise zone by remodeling, rehabilitation, or new construction.

For example, common building materials such as lumber, bricks, cement, windows, doors, insulation, roofing materials and sheet metal; plumbing systems and components such as bathtubs, lavatories, sinks, faucets, garbage disposals, water pumps, water heaters, water softeners and water pipes can qualify for the deduction;

Heating Systems and components such as furnaces, ductwork, vents, stokers, boilers, heating pipes and radiators;

Electrical Systems and components such as wiring, outlets and light fixtures which are physically incorporated;

Central Air Conditioning Systems ventilation systems and components which are physically incorporated;

Built-in cabinets and other woodwork which are physically attached; floor coverings such as tile, linoleum and carpeting that are permanently affixed by use of tacks, staples, or glue;

Concrete (as long as labor and materials are separated);

Landscaping Materials (as long as labor and materials are separated);

Hard Wired Signs which are not portable; and in general, built-in appliances that are physically incorporated into real estate can qualify for the exemption.

Items which Do Not Qualify include tools, machinery, equipment, fuel, forms, free-standing appliances and furniture, portable ventilation units, window air-conditioning units, lamps, and area rugs.

If you have any questions please call the Illinois Department of Revenue Office: (217)-782-3336.