

# ENTERPRISE ZONE



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*The Enterprise Zones program provides an excellent opportunity for businesses growing or locating in Salem. The Salem Enterprise Zone is a three- to five-year property tax abatement program for businesses making new investments in construction or equipment to leased or owned property within the Enterprise Zone boundary and creating new or additional employment. Once an authorized company enters into the program it will receive full tax abatement on all qualified property for three to five years, consecutively, as long as annual compliance with program requirements is met.*

## Incentives

The Enterprise Zone offers eligible companies three-year property tax exemptions on certain new capital investments that create jobs in the designated areas. Eligible businesses include manufacturers, processors, shippers and a variety of operations that serve other organizations, as well as call centers and headquarter facilities.

If a project involves construction of a new or expanding facility, the incremental investment can be exempt from local taxes for up to two years before the qualified property is placed in service. (Construction-in-Process, or CIP)

An extended five-year exemption may be available to companies meeting additional criteria, subject to approval by the zone sponsor, the City of Salem. To qualify for the extended abatement, companies must pay an average of 150% of the average wage (covered employment payroll for all employers) in total compensation, which can include non-mandatory benefits such as vacation pay, medical insurance, bonuses, overtime, profit sharing, and retirement contributions. In 2020, that figure is \$69,618.

## E-Commerce Zone

The City of Salem is also designated an Electronic Commerce Zone, which provides similar tax exemptions as the standard Enterprise Zone but offers some additional flexibility to reflect the nature of the types of investments made by businesses engaging predominantly in transactions via the internet.

## Eligibility

New companies to the Salem area that are eligible for the program must create at least one new job, while existing companies must expand employment by at least 10% in the first year to be eligible. Non-qualifying employers include retail, commercial, most services, and other non-business-to-business operations. The total minimum investment required is \$50,000. Eligible investments are new real property improvements (including buildings), major site improvements, large or immobile equipment and tools. Non-qualifying investments include land, existing buildings, existing equipment, most rolling stock (forklifts, delivery trucks) and most personal property. There are no limits to the number of times a company may use the zone.

## Application Process

The Zone is sponsored by the City of Salem and is managed by SEDCOR (Strategic Economic Development Corporation). To receive investment incentives, eligible businesses must file an Enterprise Zone Pre-certification Form with the local zone manager prior to any eligible investments.

*There is an application fee of 0.1% of the investment to the City of Salem. Additionally, for businesses seeking the extended abatement of up to 5 years, an annual community service fee of 25% of the abated taxes will be collected by the City of Salem.*

# FREQUENTLY ASKED QUESTIONS

## Must my facility be located within the boundaries of the City of Salem Enterprise Zone?

Yes, see shaded areas on the Enterprise Zone map. Operations not located within the Enterprise Zone boundaries do not qualify.

## How difficult is the approval process?

The process for the standard three-year exemption is quick, non-bureaucratic and easy to administer. It consists of a short consultation with the Zone Manager, completion by the company of a two-page application and attachments, and approval by the Zone Manager and County Assessor. Complete applications are usually processed within one to two days. Following approval, an investment can commence

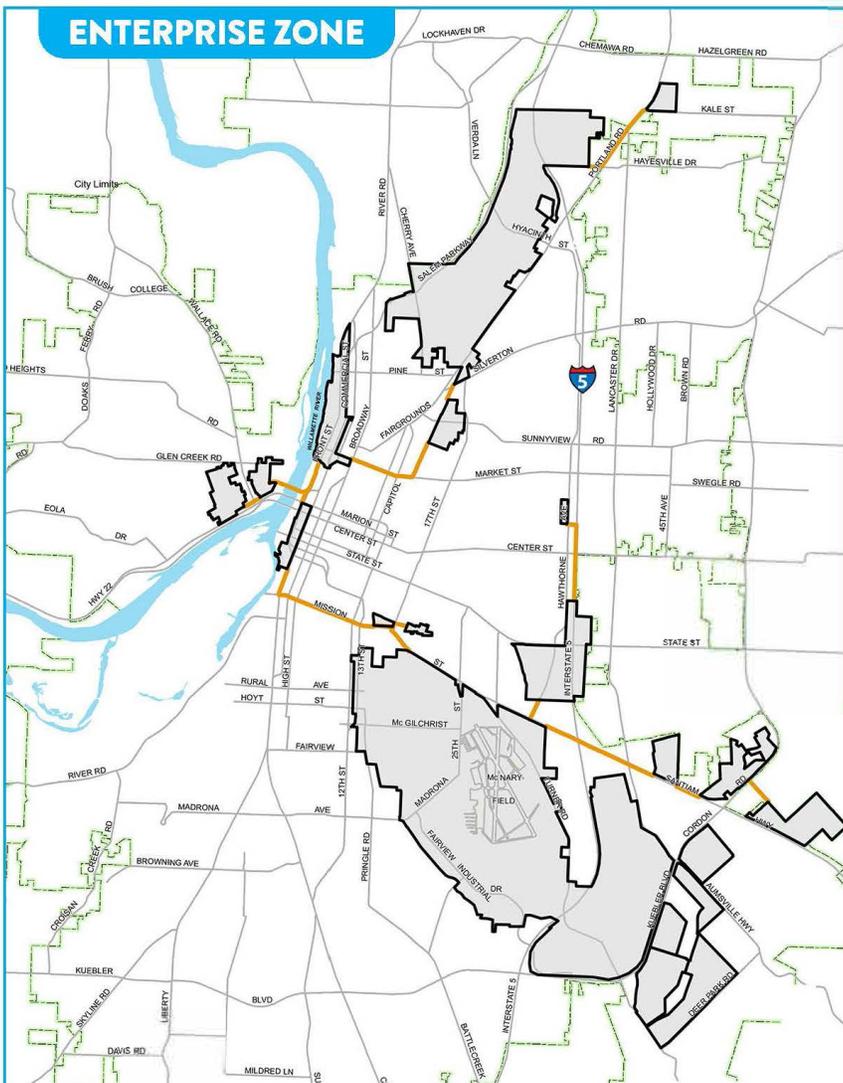
immediately. Extended five-year exemptions must meet the wage criteria and be approved by the City of Salem, the zone sponsor.

## May my company use the Enterprise Zone multiple times for future expansions?

Yes. Expansion projects for qualifying employers are eligible as long as the employer adds at least 10% to their existing workforce each time the program is used.

## My company is eligible for the Enterprise Zone, but I've already started construction. Can my facilities be exempted?

Typically not. Companies wishing to access the program need to complete the two page precertification application prior to breaking ground on new or expanded facilities. It is strongly recommended that pre-certification occur prior to obtaining building permits.



## Are commercial developments eligible for Enterprise Zone exemptions?

“No, only primary employers are eligible; 75% of a company’s products or services must be sold or delivered outside the region.”

## When the exemption period expires, does my property come back on the tax roll?

Yes. Property (buildings and equipment) are assessed throughout the exemption period, but come back on the tax rolls at a depreciated or appreciated value. During the period that a company participates in the Enterprise Zone, property taxes on real and some personal property are exempted, not deferred.

## Can eligible employers who rent their facilities qualify?

Yes. If a facility has not been previously occupied or is a build-to-suit for an eligible company, landlords are required to pass on savings resulting from property tax exemptions to their tenants.