

# ENTERPRISE ZONE FAQ'S



**What is an Enterprise Zone?** An Enterprise Zone is a specific geographic area where businesses can receive special tax benefits and incentives to encourage economic growth and development. These zones are designated by the state government.



**What are the main benefits for businesses in an Enterprise Zone?**

**Sales Tax Exemption:** Businesses can avoid paying sales tax on building materials used for construction projects within the zone.

**State Income Tax Credit:** Businesses can receive a credit on their Illinois state income tax, equal to 0.5% of the total project cost (including land and other expenses).



**How much can businesses save with these benefits?** For new construction projects, the combined savings from these benefits can be around 10% of the total project cost. For renovation projects, the savings may be closer to 2-3%. The exact amount varies based on the specifics of each project.



**How do businesses apply for these benefits?**

**Contact the Enterprise Zone Administrator:** Businesses should reach out to the local Enterprise Zone Administrator to get guidance on the application process.

**Fill out the Project Application:** The project owner or their representative must fill out a form identifying the project, its location, and its type.



**What do I need to get my sales tax exemption for building materials?**

**Apply for a Building Materials Exemption Certificate (BMEC):** Each contractor or subcontractor purchasing building materials for the project must apply for a BMEC through the McHenry County Economic Development Corporation. This exempts you from paying sales tax on those materials.



**What information is needed for the BMEC application?**

- Federal Employer Identification Number (FEIN)
- Project start and end dates
- Total contract amount
- Estimated percentage of contract cost that is for building materials
- Estimated amount of sales tax exemption



**What fees are associated with Enterprise Zone projects?**

Currently, the fee is 0.5% of the sales tax on building materials, with a minimum of \$250 and a maximum of \$50,000 per project. For projects without construction, there is a flat \$250 fee.



**What reporting is required for Enterprise Zone projects?**

Each year in April, businesses with active Enterprise Zone projects must file a report detailing their activities and any differences between their initial estimates and actual outcomes, even if the project had no activity during the year.