

# Enterprise zones

[History](#)



Evaluation of enterprise zones Evaluation of enterprise zones Enterprise zone is a term that refers to a well-defined geographic area within which it is aligned or set aside for purposes of boosting economic activities for businesses within borders of the zone. New job creation is the ultimate result of benefits from enterprise zones. Enterprise zones have been on the American urban policy landscape for more than two decades. Indeed, there are many thousands of enterprise zones scattered across the United States. Up to date, however, confusion exists as to what enterprise zones are exactly, their principle objective and whether they are more effective than state and local economic development efforts. The confusion occurs in a considerable number of areas where states have given their enterprise zone programs: renaissance zones, keystone opportunity zones, development zones and program areas, for example.

The states' enterprise zones present a compelling opportunity to explore the spread of ideas in the American federal system. The enterprise zones have caused a significant debate within the framework of urban policy and economic development over the past two decades. The idea of cutting taxes and regulations as a free market remedy for impoverished areas was originally a frontend brought forward by conservatives and denounced by many liberals. Today, the state zones that populate the landscape of rural and urban areas hardly resemble the anti-government, supply-side approach. A new vibrant, federal empowered zones and enterprise community programs require the inclusion of social programs which provide grants for individual zones.

As to their mode of operation, enterprise zones provide special state and local economic-development incentives that encourage commercial

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investments and promotion of job creation in the economy. The program primarily aims at providing tax incentives to businesses within an enterprise zone. Eligibility for benefits from the program depends on physical presence in a given zone: existing businesses and those being relocated to such areas are eligible. These incentives include: hiring tax credit, sale and use tax credits, deductions of business expenses, carryover of net operating losses and deduction of net interest that lenders and banks charge. A business located within an enterprise zone may reduce its state income tax by a percentage of wages paid to qualified employees. It may also claim up to half of employee's wages within the first year of employment.

The drawbacks to enterprise zone system range from costs, training and turnover to customization difficulties. For medium and small size businesses implementation of enterprise zone systems can be expensive because they do not have adequate capital. For the system to work the business must have qualified employees who are knowledgeable in using it. This is a costly venture which has led many small businesses to ignore it altogether. Further, integrating the system to a business is challenging, a factor that has seen employees spent a lot of time in customizing the system with little success. All these factors hinder adoption of the system, especially for small businesses, which end up missing on the benefits thereof.

#### References

Alan, H., & Peter, F. (2002). State enterprise zone programs: Have they worked? Michigan: W. E. Upjohn Institute.