

BENEFITS & COSTS FOR ENTERPRISE ZONE TAX INCENTIVE ANALYSIS

BENEFITS:

- ❖ **Regional economic effects, higher living standards, etc. from:** *
 - Construction spending and hiring/payroll*
 - Other direct—*i.e.*, but new part-time, seasonal and temporary—payroll*
 - Indirect employment/payroll and impacts*
 - Induced employment/payroll and impacts*
 - NEW DIRECT, FULL-TIME, YEAR-ROUND JOBS/PAYROLL*
 - EXCEPTIONALLY HIGH COMPENSATION IN SOME CASES*
- ❖ **Statewide equity and improved resource allocation from increased activity in lagging areas of state deserving of special assistance**
- ❖ **Local property tax revenues:** *, †
 - Existing property kept in productive use*
 - Future, non-exempt property that replaces retired exempt property*
 - Improvements 'to' land value and non-qualifying personal property items*
 - Non-exempt ancillary and indirect investments of suppliers, *etc.**
 - Increased property values and development in community*
 - Exempt new plant & equipment for 10–20 years after exemption*
- ❖ **Other public finance impacts:** *
 - Increases in other types of local taxes, fees and charges*
 - Special enterprise zone agreement payments
 - Increased state revenue, especially personal income withholdings/taxes*
- ❖ **Chance to help and encourage local small businesses to grow**
- ❖ Proportionally greater economic opportunity for low to moderate-income persons, and potentially consequent reductions in crime, drug abuse, child neglect and other society-sapping ills
- ❖ Marketing to advance state objectives for infusion of innovative and sustainable business practices and sectors, and for general growth of traded-sector industries; local infrastructure improvements made possible by complementing and justifying private-sector investments
- ❖ Intangible effects of general prosperity, optimism and hope; economic diversification; anchor employer with benefits; attracting former residents back home with jobs/improved financial livability, and so forth at both state and local level.

Data are regularly maintained and available for items with SMALL-CAPS, underlined TEXT

COSTS:

- ❖ **Impacts and public expenditures related to general growth and development, insofar as economic effects contribute significantly to regional population change that public service providers can not efficiently or effectively accommodate ***
- ❖ **Immediate public expenditures and service burdens associated with construction, employment or facilities***
- ❖ **PROPERTY TAXES NOT COLLECTED DURING EXEMPTION PERIOD** †, ‡
- ❖ **Sense of unfairness for existing business firms that do not qualify because they are ineligible (*e.g.*, retail) or are not growing their workforce or re-investing sufficiently at any one time to satisfy program criteria.**

* For investments, hiring, commerce and so forth, additionally induced by the zone

† For new property value that to be added to rolls anyway in fairly short order.

‡ Accounting generally for relative change in taxable valuation and potentially for price inflation, as well as how Measure 5 & 50 and urban renewal plan areas would have or will affect exempt property and post-exemption projections, and the loss versus shifting of imposed property tax collections.

Selected assumptions: Increasing returns to scale; structurally underutilized economic capacity; variant risks, uncertainty and costs (including taxation) for private investments in different locations ... nationally and internationally; business firms, company divisions and states engaged in competition for capital and technologically imbued workforces, and markedly disparate taxation of business property relative to quality of public service provision, rates and so forth among in-state location.