

INCENTIVES

The Ohio Enterprise Zone Program can provide businesses making eligible investments both local real and personal property tax incentives and state franchise tax incentives. Less than ten percent of companies receiving a property tax benefit pursuant to an Enterprise Zone Agreement apply for the state franchise tax benefits. Since the inception of the program, the local property tax benefits have been the primary incentive sought by the business community.

Real and Personal Property Tax Incentives

Local governments certified as an Enterprise Zone can grant real and/or personal property tax exemptions of up to 75 percent (municipalities) and 60 percent (unincorporated areas) of the value of the eligible new investment of a project. The term of these incentives can be for up to ten years. After June 9, 2004 with the consent of the affected local, city or village school district, exemption percentages and terms can extend to 100 percent and/or 15 years. The local governments determine the appropriate incentive level and term (if any) based on a project-by-project evaluation of the associated costs and benefits.

The Ohio Enterprise Zone law allows considerable local flexibility in structuring the incentive package. The local government can exceed the stated incentive cap if the average incentive percentage does not exceed 60 percent for municipalities or 50 percent for unincorporated areas for the term of the agreement. The average incentive percentage, however, cannot include any exemption year in which the exemption percentage is equal to zero. This would allow the local government to be sensitive to a new facility's lack of cash flow during the initial operation period.

In addition, the local government can exceed the stated incentive cap regardless of the term average if the affected school board approves the proposal. The local government must formally request that the school board review and consider such a proposal. Additional formal notice and response requirements apply to such a request.

The Ohio Enterprise Zone law allows a local government to expand the potential incentive to include existing taxable assets in two particular situations.

1. If a business plans to purchase and operate a large manufacturing operation that has employed an average of 1,000 employees per year during the past five years which has closed or has announced closure proceedings, the local government may grant an exemption of up to 100 percent of the existing real and personal property for up to 10 years.
2. If a business agrees to remediate an environmentally contaminated facility expending at least 250 percent of the existing value of the facility on a new investment project including at least a 10 percent investment on remediation activities then the local government can exempt up to 50 percent of the existing real property and 100 percent of the new real and personal property investment described as the project.

Note that businesses entering into an Enterprise Zone Agreement for real and/or personal property tax incentives must file the DTE 24 form with the County Auditor to effect the real property benefit

and the 913 EX state tax form with the businesses' regular annual state tax filing to effect the personal property benefit.

State Franchise Tax Incentives

A business is eligible for state franchise tax benefits if it is in compliance with an existing local Enterprise Zone Agreement, created new jobs, did not close or reduce employment at any other Ohio location as a result of this project and at least 25 percent of the new jobs were filled with individuals who meet one of the following disadvantaged categories:

1. Unemployed (for at least 10 consecutive weeks, or for at least twenty-six of the fifty-two weeks immediately preceding new employment) and a resident of the county where the project site is located for at least six months;
2. JTPA eligible and a resident of the county where the project site is located for at least six months;
3. Participants in the Ohio Works First program or the Prevention, Retention and Contingency program, or recipients of General Relief (GA), disability insurance, unemployment compensation and residents of the county where the project site is located for at least six months;
4. Handicapped person who resided in the county where the project site is located for at least six months; or
5. Resident of an Enterprise Zone in the county where the project is located for at least one year.

The business must file the appropriate Tier II State Franchise Tax application with ODOD between January 1 and April 30. Approved applicants will receive a Tax Incentive Qualification Certification issued on June 30. The certification is valid for the tax year in which the June 30 issuance date appears in the business's tax filing. A business can receive a total of four certifications -- an initial and three renewals. The applications must be submitted in consecutive years. Each requires a separate application. Renewal Certifications must further document that at least 10 percent of the supervisory personnel of the facility met one of the five hiring categories at the time the person was hired. For additional information about this credit, please see the discussion of the Tier II program elsewhere on this website.

The benefits under this provision include:

1. Exemption of all real and personal property assets provided by the local Enterprise Zone Agreement from the asset or income based tax calculation;
2. Reduction of the payroll numerator of the wage paid to individuals hired who met one of five disadvantaged categories;
3. A credit of up to \$300 or actual reimbursement by the business for daycare services provided for new employees who met one of the five disadvantaged categories; and
4. A credit of up to \$1,000 or actual costs by the business for training employees who met one

of the five disadvantaged categories and who subsequently work at least 90 days at the facility. One credit is allowed per individual.

Employee Tax Credit Certification

A business with an existing Enterprise Zone Agreement issued by an Enterprise Zone located in an MSA Principal City or Appalachian County can apply for an Employee Tax Credit Certificate for each eligible new employee who is a participant in the Ohio Works First program or the Prevention, Retention and Contingency program, or is a recipient of General Assistance and who resided for at least one year in the county where the facility is located.

This certificate entitles the business to a \$1,000 non-refundable state franchise tax credit (pro-rated if the individual did not work the entire year) for each taxable year of the agreement. The business must file the appropriate Tier III employment tax credit application with the Ohio Department of Development. For additional information about this credit, please see the discussion of the Tier II program elsewhere on this website.