

RESEARCH BRIEF: ENTERPRISE ZONES

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ABSTRACT

The enterprise zone concept was developed in England in the 1970s as a tool for economic revitalization in distressed areas. Since the arrival of the program in the United States, 43 states have enacted enterprise zones in some form. Most assessments of these programs have not been rigorous, making it difficult to measure and quantify zone effectiveness. Evaluations frequently report negligible impact of zone incentives on program goals, such as employment and investment. This report begins with a brief history of enterprise zones and notable trends in incentives and zone management. Also presented is a census of general program information for each state with enterprise zones. Multi-state studies are then reviewed to identify best practices. Finally, four case studies are provided to offer a more detailed look at programs with lessons applicable to Wisconsin.

History and Trends

History

- Background
 - Enterprise Zones (EZs) are geographically targeted areas where businesses that meet certain criteria receive various incentives for development
 - The rationale is that tax incentives are important on the margin when firms make location decisions¹
- Origins
 - EZs were developed in 1978 in Great Britain on the assumptions that: (1) local economic development could be increased by reducing governmental involvement in commerce on a geographical basis and (2) economic disparity could be reduced by targeting underdeveloped areas
 - Twenty-four zones were created in Britain in the 1980s; ultimately, these were found useful but not decisive in revitalizing communities²
- Federal EZs
 - In the 1980's, President Reagan advocated EZs and some Democrats supported EZs as a way to improve conditions in distressed areas
 - Title VII of the Housing and Community Development Act in 1987 intended to coordinate existing federal programs into EZs that would be designated by HUD, but no zones were ever created under this law³
 - The Empowerment Zones and Enterprise Community Act (1993) provided federal funds and created a two-tiered system of nine empowerment zones (six urban, three rural) and 95 enterprise communities (65 urban, 30 rural)⁴
- State EZs
 - Connecticut adopted the first United States EZ program in 1981
 - States implemented EZ programs quickly as development strategies were altered following recessions in the 1980s,⁵ and by the late 1980's there were EZs in 35 states⁶
 - In 1992, the median EZ was less than two square miles, had 4500 residents, at the time of zone designation had a median of 105 businesses and median employment of 2000, and was oriented toward land and industrial use;⁷ by the mid 1990's there were over 1500 zones⁸
 - By 2005, 43 states operated approximately 3,000 zones

Trends/Common Features

- Trends
 - Rather than creating areas of deregulation, EZs in states now focus on re-regulatory partnerships (e.g. public-private and state and local), involving the entire community by using existing programs, and focusing on crime, infrastructure, and other problems indirectly related to development⁹
 - EZs increasingly target specific circumstances (e.g. disadvantaged workers)¹⁰
- Administration
 - Common EZ designation criteria include unemployment measures, minimum/maximum population size, measures of population decline,

poverty level, measure of median income, number of welfare recipients, measures of disinvestment (e.g. abandoned buildings, overdue property tax payments), and economic potential¹¹

- Most states have a central oversight agency that designates zones, determines zone policies, accepts progress reports, and supervises financing, though the time EZ program directors devote to zones varies greatly from state to state¹²
- Incentives
 - The most common incentives are capital investment incentives including property tax, income tax, and sales and use tax credits and refunds; 60 percent of incentives offer non-tax financial assistance and the other 40 percent are tax incentives¹³
 - Common EZ incentives include:
 - Investment incentives - property tax credits, franchise tax credits, sales tax credits, investment tax credits, employer tax credits
 - Labor incentives - credit per job created, selective hiring credit on zone residence/poverty, job training tax credit, employee tax credit
 - Financial incentives - linked investment fund, preferential treatment for Industrial Development bonds, refundable credits
 - Other - child care subsidies, improvements to infrastructure¹⁴
 - States were more likely to have several investment-related incentives and less likely to have a majority of incentives pertaining to labor or to finance¹⁵

Census of State Enterprise Zone Programs

<i>State</i> ¹⁶	<i>Year Est.</i>	<i>Program Name</i>	<i>Zones</i>	<i>Size of Zones</i>	<i>Significant Incentives</i>	<i>Evaluations</i> ¹⁷
Alabama	1987	Enterprise Zone Program	28		Income and franchise tax credits for hiring previously unemployed workers, investment, and training	Jung 2003 ¹⁸
Arizona		Enterprise Zone Program	24	1/4 square mile-full county	Income tax credit for net employment increases; Lower property tax assessment ratio	No evaluations found
Arkansas	1989	Enterprise Zone Program	1	Entire state	Income tax credits for new employees; Sales and use tax refunds for qualifying businesses	No evaluations found
California	1984	Enterprise Zone Program	42	1-70 square miles	Hiring credits for qualifying employees; Sales tax credits on parts and machinery; State contract preference	Dowall 1996 O'Keefe 2001 O'Keefe 2003 Bostic & Prohofskey 2006 ¹⁹
Colorado	1986	Enterprise Zone Program	16	Zones cover 70 percent of state	Tax credits for new employees, training, investment, R&D; Exempt from sales and use tax for manufacturing and mining equipment	Alm & Hart 1998; Colorado State Auditor 2002 ²⁰
Connecticut	1981	Enterprise Zone Program	17		Corporation tax abatement for relocation, renovation, expansion; Property tax abatement	Weisbrod, Jones, & Marshall 1985 ²¹

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Florida	1982	Enterprise Zones, Rural or Urban	56		Corporation tax credits new employees who are residents; Rural zones also receive a sales tax credit	Elvery 2004 Rogers & Tao 2004 ²²
Georgia	1997	Enterprise Zones	52		Property tax exemption; Reduction in building inspection and other fees	No evaluations found
Hawaii	1990	Enterprise Zones	19	Size of 1-2 U.S. census tracts	Excise and use tax exemptions; Income tax reductions; Priority permit processing and consideration for training or funds; Property tax adjustments	No evaluations found
Illinois	1982	Enterprise Zone Program	95	1/2 square mile-15 square miles	Credit for new employees; Tax abatement on renovations; Sales tax exemption on property for renovation	Sridhar 1996 Drougas 1998 ²³
Indiana	1983	Enterprise Zone Program	28		Inventory tax credit; Gross income tax exemption; Investment cost credit; Employment expense credit; Loan interest credit	Papke 1994 Landers & Faulk 2005 Rubin & Wilder 1989 ²⁴
Iowa	1997	Enterprise Zones	294	One percent of a county's area	Property tax exemption; Training, sales, service tax refunds; Investment tax credit	No evaluations found
Kansas	1976	Enterprise Zones	1	Entire state	Income tax credits for job creation and investment	No evaluations found
Kentucky	1982	Enterprise Zone Program	10		Exemptions from sales and use tax; Income tax credit	Lambert & Coomes 2001 ²⁵

<i>State</i>	<i>Year Est.</i>	<i>Program Name</i>	<i>Zones</i>	<i>Size of Zones</i>	<i>Significant Incentives</i>	<i>Evaluations</i>
Louisiana		Louisiana Enterprise Zone Program	1700		New jobs credits for state income tax and/or franchise tax liabilities	No evaluations found
Maine	2003	Pine Tree Zone Program	8		Reimbursement of payroll taxes; Refund of corporate income and insurance premium tax; Sales/use tax exemption for construction materials	No evaluations found
Maryland		Enterprise Zones	29		Income tax credits for new employees; Property tax credit for improvements	U.S. GAO 1988 ²⁶
Massachusetts	1993	Economic Development Incentive Program	181	Three or more census tracts	Special property tax assessments; Tax Increment Financing	No evaluations found
Michigan	1996	Renaissance Zones	21	105 acres or smaller	Abatements on property taxes, city corporate income taxes, utility tax, and education tax	Sands 2003 Sands, Reese & Khan 2006 ²⁷
Minnesota ²⁸	2004	Minnesota Job Opportunity Building Zones (JOBZ)	10	325	Exemptions on the following taxes: Corporate franchise tax; Income tax for operators/investors; Sales tax for in-zone purchases; Property tax on improvements; Employment tax credit for high-paying jobs	No evaluations found
Mississippi	1983	Mississippi Enterprise	25	No larger than a county	Income tax credit; Sales and use tax abatement	Couch 2005 ²⁹

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Missouri ³⁰		Enterprise Zone Program; Enhanced Enterprise Zones	34		Property tax abatement; Income tax exemption and credits; Enhanced zones receive more income tax credits	Watson 1995 ³¹
Nebraska ³²		Nebraska Enterprise			Employment and investment tax credits	No evaluations found
New Jersey	1983	Urban Enterprise Zones	32		Tax credits for new employees; Exempt from sales tax for personal property	Boarnet & Bogart 1996 Rubin 1990 ³³
New Mexico	1993	New Mexico Enterprise Zones			Property tax abatement; Tax credit for business rehabilitation; Training reimbursement; Infrastructure project fast-tracking	No evaluations found
New York	1987	Empire Zones	82		Tax credits for new employees; Property tax abatement; Exemption from sales tax on construction materials	No evaluations found
North Carolina	2006	Urban Progress Zones and Agrarian Growth Zones	6 UPZs 2 AGZs	UPZ average size 2.7 miles; AGZs less than 5 percent of the county	Job creation and investment tax credits; Provision of community block grants	No evaluations found
North Dakota	2002	Renaissance Zones	36	23-38 city blocks	Income and property tax exemptions and credits; Renovation tax credits	No evaluations found

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Ohio	1984	Enterprise Zones	More than 300	One-third of the state	Property tax exemption; State franchise tax incentives; Employee tax credit	Sridhar 2001 Turner & Cassell 2003 Cassell 2003 ³⁴
Oklahoma	1983	Opportunity Zones; Enterprise Zones	71		Investment and jobs tax credits	No evaluations found
Oregon	1985	Enterprise Zones	49	12 square miles or less	Property tax exemption	No evaluations found
Pennsylvania	1999	Keystone Opportunity Zones	12	Range from as little as 362 acres to 6,196 acres	Exemptions, deductions, abatements, credits for the following state/local taxes: Income taxes, Capital Stock & Foreign Franchise, Sales & use tax, Business gross receipts, Business occupancy, Local property tax, Insurance Premiums Tax	No evaluations found
Rhode Island		Enterprise Zones	10	Five census tracts	Employment tax credit	No evaluations found
South Carolina ³⁵	1995	Enterprise Zones		400 acres or less	Job development tax credit; Rural infrastructure funds	No evaluations found
Texas	1983	Texas Enterprise Zone Program	60 counties, 480 census tracts ³⁶	Areas within census tracts to entire counties	State sales and use tax refunds on qualified expenditures for projects based on capital investment and jobs created	No evaluations found

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Utah	1988	Enterprise Zone Program	73	Low population areas	Tax credits for job creation, rehabilitation, investment, contribution	No evaluations found
Virginia	1982	Enterprise Zone Program	57	Largest allowed is six square miles	Grants for job creation and real property investment	No evaluations found
Washington	2000	Community Empowerment Zone Program	6		Sales tax deferrals; Business and occupation tax credits for projects	No evaluations found

Learning from Other States

Administration

- Zones with strong management (e.g. larger staffs, more meetings with participants) and that provide services (e.g. technical assistance) were more successful in a study of highly distressed zones; larger staffs enable more technical assistance, more zone marketing, and more interaction with firms, particularly helpful for new firms with low revenue who gain less from tax incentives but require technical services³⁷
- A study examining EZ programs in ten states found the use of strategic economic plans with zone incentives had a positive, significant impact on firm's shipments and capital expenditures³⁸
- In a survey conducted of firms in four Indiana zones, firms in a zone with better management and marketing of their zone (e.g. higher use of local media to advertise the zone and professional management, including meetings between firms and zone administrators) reported higher satisfaction than firms in a neighboring zone who received more incentives; in both cases, the study found no measurable, positive impact of EZs on employment³⁹
- Several reporting requirements for local zone administrators were added to one state's program following an audit recommendation⁴⁰
- One study attributes zone success, in part, to the autonomy of zone administration from local government⁴¹
- A locally driven program, headed by a zone administration that monitors and implements strategies specific to individual zone needs, allows for shaping and tailoring to fit individual economies that vary across the state⁴²

Zone Characteristics

- One study found that the only variable with a significant relationship with area growth rates was the number of service and quality of life incentives offered; such incentives include: job training, day care for the families of zone employees, additional support for public schools, crime prevention and reduction programs, and housing rehabilitation⁴³
- One study concludes that existing characteristics, such as infrastructure, community involvement, transportation, living costs, and school systems are more important to relocating firms than zone designation; other attributes such as a skilled population and industries with growth potential are also important⁴⁴
- According to 1986 HUD interviews of participants in ten state enterprise zones, the act of designating a zone improved area perceptions and was thus found to be more important to increasing zone investment than the tax incentives offered⁴⁵
- One study finds that while new firms did not count tax incentives as a main factor in deciding to locate in a zone, existing firms were influenced by zone designation in expansion and investment decisions⁴⁶
- State designation of a small number of zones is correlated with positive zone performance; a larger number of zones can dilute the impact of incentives⁴⁷

- One study found that as zone size increases, the impact of subsidies on zone wages and employment becomes smaller, to the extent that if an entire county is designated a zone capital subsidies have no impact on zone wages⁴⁸
- One study found a strong positive relationship between the number of incentives provided and investment and job growth⁴⁹
- An EZ administrator suggested that evaluating zone success would be easier if zones were designated by census tract, as important data (e.g. employment; population) is often only available at census tract and county levels⁵⁰

Program Duration

- One state changed its policy to provide EZ incentives for a set number of years instead of using an expiration date, preventing latecomers to the program from being shortchanged on the duration of incentives received⁵¹
- Ten years after beginning its program, one state gave its development commission the authority to terminate zones that no longer met qualification criteria and the state also implemented transition mechanisms to phase out tax credits over several years for taxpayers in terminated zones (this provision has since been repealed)⁵²

Incentives Focused on Employment

- While the Ohio job credit is very generous, fewer than 10 percent of firms locating there claim it, possibly because of difficult eligibility requirements⁵³
- When employment is expanded as a result of building a new plant, job credits often apply only for hiring targeted individuals (e.g. individuals who meet unemployment or poverty criteria or are zone residents); as targeted employees leave after plant construction, there is no incentive to replace them with other members of targeted groups⁵⁴
- Excessive targeting may also cause firms to discount the value of job credits in location decisions because of the degree of uncertainty as to the extent the firm will benefit⁵⁵
- In a sample across 14 zones, zone residents took an average of one-fifth the jobs offered in the zone, but the percentage varied considerably across zones; in general, zones appear to attract workers from a broad geographic region⁵⁶

Evaluation

- Methodologically rigorous evaluations of enterprise zones are difficult and, overall, the empirical evidence is unclear about the effectiveness of EZs; advance planning can lead to better data and thus more useful evaluation⁵⁷
- Surprisingly, formal evaluations of economic development policies at the state level rarely include actionable advice; a survey in the mid-1990's found that roughly 14 out of 48 states surveyed did not formally audit or evaluate their economic development programs, and of the 34 states with formal evaluations, 12 resulted in no policy recommendations, 12 resulted in administrative recommendations, and only 8 had formal policy recommendations⁵⁸

Case Studies

Choosing States

- Using the State Business Incentives report that outlines enterprise zones and similar incentives in every state, we selected four states reasonably similar to Wisconsin for closer examination; specifically, several factors were examined:
 - Did the program offer incentives pertaining to jobs?
 - Did the program offer credits or incentives for training?
 - How many zones did the program allow and how large were they? (states that have designated over half the state as EZs were eliminated)
 - Did useful, unbiased evaluative studies exist for the program? (Google Scholar, MadCat, MarqCat, and EconLit were used to look for studies)

Why Some Neighboring States Were Excluded

- Michigan:⁵⁹
 - Renaissance Zones (RZ) program abates nearly all state and local taxes for firms located within the zones if they are not delinquent in their taxes and file the appropriate forms; there are over 150 areas considered RZs
 - The SmartZone targets emerging technology, similar to Wisconsin's TechStar program, by helping universities and businesses convert new research into marketable products
 - As the RZ incentives are not based on employment, Michigan was not chosen as a case study
- Minnesota:⁶⁰
 - Unlike Wisconsin, Minnesota's JOBZ program is primarily rural, offering incentives in 10 zones encompassing every region of the state except the seven metropolitan counties composing the Twin Cities; JOBZ favors industrial development and employment is not as central
 - The JOBZ program began in 2005, and no useful research on its effectiveness is available
 - The Border Cities EZ Program offers incentives to firms existing or locating in five cities located on the North and South Dakota borders; while employee credits are available, they are not the program's focus
- Iowa:⁶¹
 - Iowa's EZ program names job creation as a necessary for incentives, these incentives are property and sales tax exemptions and an investment tax credit; no credits specifically for the creation of jobs
 - The Iowa High Quality Job Creation program offers tax credits to any qualifying business for the creation of jobs, but this program explicitly cannot be combined with EZ benefits

Colorado Enterprise Zone Program

*Background*⁶²

- Enterprise Zone Program created in 1986 to “provide incentives for private enterprise to expand and for new businesses to locate in ... economically depressed areas and to provide more job opportunities for residents of such areas”⁶³
- Limit of 16 zones; existing zones encompass about 70 percent of state land area
- Since inception, legislative changes have reflected the General Assembly's concern for greater accountability, particularly measuring effectiveness

*Designating Zones*⁶⁴

- “Any municipality, county, or group of contiguous municipalities may propose an area of the municipality, county, or group of municipalities or counties as an enterprise zone”⁶⁵
- To achieve zone designation, an area must have a population of fewer than 80,000 and meet one of the following criteria:
 - Unemployment rate at least 25 percent above the state average
 - Population growth rate less than 25 percent of the state average
 - Per capita income less than 75 percent of the state average

*Some Relevant Incentives*⁶⁶

- New Business Facility Employee Credits: \$500 credit for each new employee added by a new or expanded business facility in an EZ; ⁶⁷ also allows \$200 credit per new employee covered by employer-sponsored health insurance and a \$500 credit per employee for firms manufacturing products from agricultural products
- Job Training Credit: 10 percent of the amount of investment and expenses for qualified job-training programs for employees in the zones
- Zone Contributions Credit: credit for 25 percent (up to \$100,000) of the value of a contribution from a taxpayer to local zone administrator for EZ development projects that, for example, assist in job training and placement for homeless⁶⁸
- Investment Tax Credit: 3 percent credit for qualifying equipment investments used exclusively in an EZ; between fiscal years 1998 and 2001, this tax credit represented about 70 percent of the total credit given to all participants
- Local Government Tax Incentives: any city, county, or special district within an EZ can negotiate tax credits with individual taxpayers who have qualifying new facilities; credits can be issued for (1) an incentive payment up to the increase in property tax liability over pre-EZ levels, and/or (2) a refund of local sales taxes on purchases of equipment or supplies used in the taxpayer's business in the EZ

Impacts/Evaluation

- One study finds that zone designation has rather ambiguous effects on employment and payroll and that EZs may harm employment at large firms⁶⁹
- Another study found that EZ location was associated with an increase in per capita income and employment growth⁷⁰
- Some EZ businesses were not adequately informed about the program⁷¹

Features of Note:

- Program includes carry-forward provision under which firms do not have to use credit in the year awarded, but can use instead in another tax year⁷²
- Although recently repealed, the program once had a provision to eliminate EZs once economic indicators reached benchmark levels⁷³

Illinois Enterprise Zone Program

Background

- The Illinois Enterprise Zone Act was passed in 1982 to stimulate economic and neighborhood revitalization in economically depressed areas⁷⁴
- The Department of Commerce and Economic Opportunity (DCEO) designated 95 EZs, the maximum allowed by law; EZ status lasts 30 calendar years⁷⁵
- Zones must be half mile to fifteen square miles and located within municipalities⁷⁶

Designating Zones

- Counties/municipalities designate EZs with ordinances and DCEO certifies
- To qualify, an area must meet one of following conditions: population loss of 20 percent, unemployment rate 120 percent above state average for the previous six months, poverty rate of 20 percent, or be designated a low income area⁷⁷
- Preference given to areas with: high poverty, unemployment, job and population loss, general distress, demonstrable community commitment, or a growth plan⁷⁸
- Forty percent of new EZs designated in a calendar year were to be located in counties with unemployment rates of 8 percent for one month during the calendar year preceding application

A Relevant Incentive⁷⁹

- Jobs Tax Credit: \$500 for each new job that employs a dislocated or economically disadvantaged worker⁸⁰

Impacts/Evaluation

- Annual Report published by the state claims that 21,332 jobs and \$3.9 billion in investments were generated by EZs in 2006, but this is a significant overestimate as the numbers include all jobs and investments in the EZ regardless of whether they were caused by the incentives⁸¹
- One study finds that Illinois' enterprise zones have a very high benefit-cost ratio; however, the study makes many questionable assumptions⁸²
- An analysis of Illinois' EZ program finds that zone designation has "limited" effects on employment in counties where zones were established⁸³

Features of Note⁸⁴

- There is an income tax credit of 1.6 percent for educational or vocational training in semi-technical/technical or semi-skilled/skilled fields for all persons employed by zone business in Illinois or Illinois residents employed outside of Illinois;⁸⁵ this cost the state \$14.5 million in foregone taxes per year⁸⁶
- Employers list job openings with Workforce Investment Act Local Assistance office; eligible applicants receive a Jobs Credit Certification Voucher used by employers for jobs credit⁸⁷
- Firms not located within a zone may apply to be High Impact Businesses if they meet investment and employment criteria; designation makes them eligible for certain incentives⁸⁸
- The independent Illinois Enterprise Zone Association (IEZA) includes zone officials, development professionals, state and local government, businesses, labor, and community groups; IEZA helps members draft EZ applications, determine objectives, and coordinate action⁸⁹

Indiana Enterprise Zone Program

Background

- Established in 1983, Indiana's Enterprise Zone Program allows for zones located in municipalities (including rural areas) or on closed military bases
- By 2005, Indiana had 25 municipal EZs and three EZs on closed military bases⁹⁰

Designating Zones

- Indiana Economic Development Corporation (IEDC) designates and oversees EZs
- EZ designations are based on population, poverty, unemployment, and area
- Initial designation period is ten years; renewals available upon IEDC review
- IEDC is authorized to designate two new municipal EZs each year through 2015

*Some Relevant Incentives*⁹¹

- Investment Cost Credit: tax credit for state income tax on equity investment in a business located in an EZ; credit is up to 30 percent of the price of the ownership interest purchased by the taxpayer, and credit percentage varies based on type of investment and business and number of jobs created
- Employment Expense Credit: tax credit of 10 percent of incremental wages paid to employees residing in the EZ for state income tax, financial institutions tax, and insurance premium tax, up to \$1,500 per employee; 90 percent of the employee's services must be directly related to the EZ business, and 50 percent of the employee's time must be spent working at the EZ business
- The most utilized credits were the Gross Income Tax Exemption that no longer exists, and the Inventory Tax Credit⁹² that became inoperative at the beginning of 2007 when Indiana's inventory tax was eliminated; in 1999, the inventory credit alone was estimated to be 90 percent of the total cost of the EZ program⁹³

Impacts/Evaluation

- One relatively rigorous study estimated EZ designation was associated with a 19 percent decline in unemployment claims⁹⁴
- An Evansville case study⁹⁵ also found an increase in zone employment after controlling for industry and regional growth⁹⁶
- Eighty-five percent of tax abatements in Evansville went to existing firms, which were much less cost-effective in terms of employment growth and related costs⁹⁷
- In 2005 the Indiana Legislative Services Agency found the dominant industry sectors for employment across Indiana EZs were manufacturing and service⁹⁸
- Oversight/adaptation is essential to ensure that firms receiving incentives further goals of program, e.g. some warehouses in the Evansville EZ employed few/no full-time employees in the EZ, but claimed \$2.1 million in inventory tax credits⁹⁹

Features of Note

- Local nonprofit Urban Enterprise Associations (UEAs) manage operation of individual EZs; each EZ business must contribute to its local UEA a fee equal to a percentage of the incentives received during the year; these fees are then used for community and economic development programs¹⁰⁰
- One study found that approximately half of the firms in EZs employed fewer than six people and 75 percent employed fewer than fifteen people; many of these businesses do not have sufficient administrative/accounting personnel to navigate complicated government application and reporting processes

New Jersey Urban Enterprise Zones

Background

- In 1983, New Jersey passed the Urban Enterprise Zone (UEZ) Act to revitalize distressed urban communities by creating private-sector jobs and encouraging public-private investment in targeted areas
- The original legislation provided for 10 zones;¹⁰¹ perceived success of the program led to amendments bringing the current total to 32 UEZs in 37 municipalities¹⁰²

Designating Zones

- Municipalities apply to a nine-member UEZ Authority to create a UEZ within their borders;¹⁰³ to qualify, a municipality must meet criteria based on unemployment or the percentage of families on welfare, be eligible to receive state aid for distressed municipalities, and demonstrate a need for economic development and the potential benefits of development in the community¹⁰⁴
- New Jersey UEZ Authority designates zones, supervises implementation of zone development plans, and prepares annual fiscal impact studies of zones¹⁰⁵

*Some Relevant Incentives*¹⁰⁶

- To participate in the UEZ program, firms must apply to be a “qualified business” and must be recertified annually; firms can be certified if they are located in the zone when it is designated or if the firm has at least 25 percent of its employees in the UEZ meeting certain criteria¹⁰⁷
- One-time Corporation Tax Credit of up to \$1,500 for each new, full-time permanent employee who lives in a municipality containing a UEZ and who has been unemployed for at least 90 days or is dependent upon public assistance
- Business Retention and Relocation Assistance Grant (BRRAG) for relocation and retention of at least 250 non-retail jobs where the grant is a material factor
- A qualified business hiring new full-time employees with gross salaries less than \$4,500 per quarter may be eligible for an Unemployment Insurance Tax Credit; that tax is based upon wages paid¹⁰⁸

Impacts/Evaluation

- One relatively rigorous study found that the UEZs did not cause a statistically significant increase in employment between 1984-90¹⁰⁹
- In contrast, a less rigorous study estimated that in the late 1980’s every \$1 in tax revenue foregone due to UEZs generated \$1.90 in additional taxes for state/local governments;¹¹⁰ the study also estimated that the cost per job generated by the UEZ was only \$3,171¹¹¹
- A third study compared UEZ cities to similar non-UEZ cities and found that, prior to UEZ designation, there was faster employment growth in non-UEZ cities, while after designation there was faster growth in UEZ cities¹¹²

Features of Note:

- To preserve zone advantage, few zones were initially designated and the number of zones was not expanded for the first 10 years of the program
- Account Executives help new businesses establish relationships with existing businesses, and act as a single contact for coordination of state resources¹¹³
- Municipality governing body creates and adopts a Zone Development Plan, used to coordinate activities between the municipality, businesses, and the community

Sources for Census:

Alabama:

<http://www.adeca.alabama.gov/C11/REAP/Document%20Library/AlabamaEZ.pdf>

Arizona:

<http://azleg.state.az.us/FormatDocument.asp?inDoc=/ars/41/01523.htm&Title=41&DocType=ARS>

Arkansas:

<http://www.arkleg.state.ar.us/NXT/gateway.dll?f=templates&fn=default.htm&vid=blr:ar>

California:

<http://www.caez.org/legislation/ASM%20JEDE%20EZ%20Hearings%20Report.pdf>

Colorado:

<http://www.state.co.us/oed/enterprise-zone/index.cfm>

Connecticut:

<http://www.ct.gov/ecd/cwp/view.asp?a=1099&q=249766>

Florida:

www.floridaenterprisezones.com

Georgia:

<http://www.dca.state.ga.us/economic/DevelopmentTools/programs/enterpriseZones.asp>

Hawaii:

<http://www.hawaii.gov/dbedt/main/about/admin-rules/15-6.pdf/view?searchterm=%22enterprise%20zones%22>

Illinois:

http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm

Indiana:

http://64.233.167.104/search?q=cache:Rn0L6wo9cHoJ:www.in.gov/legislative/pdf/FISCAL_ISSUE_BRIEF_-_INDIANAS_ENTERPRISE_ZONES.PDF+indiana+%22enterprise+zones%22&hl=en&ct=clnk&cd=2&gl=us

Iowa:

http://www.iowalifechanging.com/business/enterprise_zones.html

Kansas:

http://www.thinkkc.com/3_locating/3e_tax_profile/3e15_enterprise.htm

Kentucky:

<http://www.thinkkentucky.com/kyedc/pdfs/keza.pdf>

Louisiana:

http://www.norpc.org/projects_programs/econ_development/econ_dev_ezms.html

Maine:

http://www.mainebiz.org/why_maine/pine_tree_zones.asp

Maryland:

<http://www.choosemaryland.org/businessservices/taxincentives/enterprisezone.html>

Massachusetts:

<http://www.mass.gov/?pageID=eoedterminal&L=4&L0=Home&L1=Expanding+or+Locating+in+Massachusetts&L2=State+Agencies&L3=Massachusetts+Office+of+Business+>

Development&sid=Eoed&b=terminalcontent&f=em_MOBD_Services_EDIP&csid=Eoe
d

Michigan:

<http://www.michigan.org/medc/services/sitedevelopment/renzone/businessstax/index.asp>

Minnesota:

<http://www.deed.state.mn.us/bizdev/jobzwhat.htm>

Mississippi:

See “The Impact of Enterprise Zones on Job Creation in Mississippi” by Jim Couch from *Contemporary Economic Policy*. No information could be found on Mississippi’s website.

Missouri:

<http://www.missouridevelopment.org/Business%20Solutions/Financial%20and%20Incentive%20Programs/Tax%20Incentives.aspx>

Nebraska:

No information could be found on their website; however, a paper by the New York Comptroller cites Nebraska as having zones. State of New York Comptroller. 2004. “Assessing the Empire Zones Program.”

New Hampshire:

<http://www.gencourt.state.nh.us/legislation/2003/HB0830.html>

New Jersey:

http://www.state.nj.us/commerce/econ_uez_program.shtml

New Mexico:

<http://legis.state.nm.us/lcs/bluetaxdocs/NMBusinessIncentives03.pdf>.

New York:

http://www.empire.state.ny.us/Tax_and_Financial_Incentives/Empire_Zones/default.asp

North Carolina:

<http://www.nccommerce.com/en/CommunityServices/BusinessIncentivesFinancialAssistance/>

North Dakota:

<http://www.nd.gov/dcs/community/zone/>

Ohio:

<http://www.odod.state.oh.us/edd/ez/>

Oklahoma:

<http://www.okcommerce.gov/index.php?option=content&task=view&id=300&Itemid=381>

Oregon:

<http://www.econ.state.or.us/enterthezones/whatare.htm#tax>

http://www.riedc.com/riedc/business_services/67/

Pennsylvania:

<http://www.newpa.com/default.aspx?id=345>

Rhode Island:

http://www.riedc.com/riedc/business_services/67/

Texas:

http://www.governor.state.tx.us/divisions/ecodev/ed_bank/enterprise_zone

Utah:

http://goed.utah.gov/business_development/incentives/enterprise_zones/index.html

Virginia:

http://www.dhcd.virginia.gov/CommunityDevelopmentRevitalization/Virginia_Enterprise_Zones.htm

Washington:

<http://cted.wa.gov/site/62/default.aspx>

Endnotes

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- ¹ Terry Buss. 2001. "Economic Growth and Firm Location Decisions." *Economic Development Quarterly*, pp. 90-105.
- ² Marilyn Marks Rubin. 1994. "Can Reorchestration of Historical Themes Reinvent Government? A Case Study of the Empowerment Zones and Enterprise Communities Act of 1993." *Public Administration Review*, p. 162.
- ³ Marilyn Marks Rubin. 1994. "Can Reorchestration of Historical Themes Reinvent Government? A Case Study of the Empowerment Zones and Enterprise Communities Act of 1993." *Public Administration Review*, p. 163.
- ⁴ Empowerment zones receive more incentives than enterprise communities; specifically, both are granted tax-exempt bonds to finance zone facilities but empowerment zones are also eligible for employer wage credits and increased allowances for expensing depreciable property in the first year after designation. Marilyn Marks Rubin. 1994. "Can Reorchestration of Historical Themes Reinvent Government? A Case Study of the Empowerment Zones and Enterprise Communities Act of 1993." *Public Administration Review*, p. 163.
- ⁵ Elizabeth Gunn. 1993. "The Growth of Enterprise Zones." *Policy Studies Journal*, p. 437.
- ⁶ Barry M. Rubin and Margaret G. Wilder. 1989. "Urban Enterprise Zones: Employment Impacts and Fiscal Incentives." *Journal of the American Planning Association*.
- ⁷ Rodney A. Erickson. 1992. "Enterprise Zones: Lessons from the State Government Experience." From *Sources of Metropolitan Growth*, ed. Edwin S. Mills and John F. McDonald (Center for Urban Policy Research, New Brunswick, NJ), p. 173.
- ⁸ Barry M. Rubin and Margaret G. Wilder. 1989. "Urban Enterprise Zones: Employment Impacts and Fiscal Incentives." *Journal of the American Planning Association*.
- ⁹ Elizabeth Gunn. 1993. "The Growth of Enterprise Zones." *Policy Studies Journal*, p. 434-437.
- ¹⁰ Kenneth Poole et al. August 1999. "Evaluating Business Development Incentives." Report prepared for the U.S. Department of Commerce Economic Development Administration, EDA Project #99-07-13794, p. 14.
- ¹¹ Rodney A. Erickson. 1992. "Enterprise Zones: Lessons from the State Government Experience." From *Sources of Metropolitan Growth*, ed. Edwin S. Mills and John F. McDonald (Center for Urban Policy Research, New Brunswick, NJ), p. 165.
- ¹² Chester Hicks. 13 September 2006. "Enterprise Zones Show Early Signs of Economic Success." *State News*, The Council of State Governments. Information can be viewed at <http://www.csg.org/pubs/Documents/slmw-0008EnterpriseZones.pdf>.
- ¹³ National Association of State Development Agencies. August 1999. "Evaluating Business Development Incentives." Prepared for the U.S. Department of Commerce Economic Development Administration, EDA Project #99-07-13794, p. 13.
- ¹⁴ As of 1994, 29 of 37 states with EZ programs had incentives based on selected hiring or hiring of individuals who meet poverty criteria or live in the zone, and 30 of 37 states offered a tax incentive to encourage capital investment in the zone. Marilyn Marks Rubin. 1994. "Can Reorchestration of Historical Themes Reinvent Government? A Case Study of the Empowerment Zones and Enterprise Communities Act of 1993." *Public Administration Review*, p. 164; Rodney A. Erickson. 1992. "Enterprise Zones: Lessons from the State Government Experience." From *Sources of Metropolitan Growth*, ed. Edwin S. Mills and John F. McDonald (Center for Urban Policy Research, New Brunswick, NJ), p. 165.
- ¹⁵ Rodney A. Erickson. 1992. "Enterprise Zones: Lessons from the State Government Experience." From *Sources of Metropolitan Growth*, ed. Edwin S. Mills and John F. McDonald (Center for Urban Policy Research, New Brunswick, NJ), p. 170.
- ¹⁶ The following states, to the best of our knowledge, do not have enterprise zones: Alaska, Montana, Nevada, New Hampshire, South Dakota, Tennessee, Vermont, and West Virginia.

¹⁷ The list of evaluations was assembled through search engines and academic websites and may not be exhaustive. Not every study listed here has been read, and thus their methods and the validity of their conclusions has not been evaluated. Evaluations or annual reports performed by the state are not included in this list as they are typically not rigorous.

¹⁸ Changhoon Jung. 2003. "A preliminary assessment of the effectiveness of the Alabama enterprise zone program." *Journal of the Alabama Academy of Science*.

¹⁹ David Dowall. 1996, "An Evaluation of California's Enterprise Zone Programs." *Economic Development Quarterly*; Suzanne O'Keefe and Roger Dunstan. 2001. *Evaluation of California's Enterprise Zones* (California State Library: Sacramento); Suzanne O'Keefe. 2004. "Job Creation in California's Enterprise Zones: A Comparison Using a Propensity Score Matching Model." *Journal of Urban Economics*; Raphael Bostic and Allen Prohofsky. "Enterprise Zones and Individual Welfare: A Case Study of California." *Journal of Regional Science*.

²⁰ James Alm and Julie Ann Hart. 1998. "Enterprise Zones and Economic Development in Colorado." University of Colorado at Boulder Center for Economic Analysis; "Enterprise Zone Program Performance Audit." Department of Local Affairs 2002. Available [http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D3C50F14265A614087256E23005CFEF7/\\$FILE/1480%20EZ%20perf%20fy%2003.pdf](http://www.leg.state.co.us/OSA/coauditor1.nsf/All/D3C50F14265A614087256E23005CFEF7/$FILE/1480%20EZ%20perf%20fy%2003.pdf)

²¹ Glen Weisbrod, Susan Jones, Allen Marshall. 1985. *Business Impacts of State Enterprise Zones* (Cambridge Systematics: Cambridge).

²² Joel Elvery. 2004. "The Impact of Enterprise Zones on Resident Employment: An Evaluation of the Enterprise Zone Programs of California and Florida."

²³ Kala Seetharam Sridhar. 1996. "Tax Costs and Employee Benefits of Enterprise Zones." *Economic Development Quarterly*; Anne Marie Drougas. 1998. Enterprise Zones and Employment in Illinois. University of Illinois at Chicago Doctoral Dissertation.

²⁴ Leslie Papke. 1994. "Tax Policy and Urban Development: Evidence from the Indiana Enterprise Zone Program." *Journal of Public Economics*; Jim Landers and Dagny Faulk. Summer 2005. "In the Zone: A Look at Indiana's Enterprise Zones." *Indiana Business Review*; Barry M. Rubin and Margaret G. Wilder. 1989. "Urban Enterprise Zones: Employment Impacts and Fiscal Incentives." *Journal of the American Planning Association*.

²⁵ Thomas Lambert and Paul Coomes. 2001. "An Evaluation of the Effectiveness of Louisville's Enterprise Zone." *Economic Development Quarterly*.

²⁶ United States General Accounting Office. 1998. "Enterprise Zones: Lessons from the Maryland Experience."

²⁷ Gary Sands, Laura Reese and Heather Khan. 2006. "Implementing Tax Abatements in Michigan: A Study of Best Practices." *Economic Development Quarterly*.

²⁸ Enterprise zones encompass 29,000 acres of Minnesota and are present in every county with the exception of the seven counties surrounding the Twin Cities.

²⁹ Jim F. Couch. 2005. "The Impact of Enterprise Zones on Job Creation in Mississippi." *Contemporary Economic Policy*.

³⁰ As of 2004, the Missouri Enterprise Zone Program is being phased out.

³¹ Sheilah S. Watson. 1995. "Using Public-private Partnerships to Develop Local Economies: An Analysis of Two Missouri Enterprise Zones." *Policy Studies Journal*.

³² No information about the program could be found on Nebraska's state website.

³³ Marlon Boarnet and William Bogart. 1996. "Enterprise Zones and Employment: Evidence from New Jersey." *Journal of Urban Economics*; Marilyn Rubin. 1990. "Urban Enterprise Zones: Do They Work? Evidence From New Jersey." *Public Budgeting & Finance*. The Boarnet and Bogart studies challenge the rigor of the Rubin studies; see the New Jersey case study for more information.

³⁴ Kala Seetharam Sridhar. 2001. "Benefits and Costs of Regional Development." *The Journal of Regional Analysis and Policy*; Mark Cassell. 2003. "Distribution and Benefits in Ohio's Enterprise Zone Program." *Policy Matters Ohio*.

³⁵ No information on the program could be found on South Carolina's state website.

³⁶ Any distressed county in Texas is an enterprise zone. A county is considered to be a distressed county if (1) it has a poverty rate above 15.4 percent based on the most recent decennial census, (2) at least 25.4 percent of the adult population does not hold a high school diploma or high school equivalency certificate based on the most recent decennial census, and (3) it has an unemployment rate that has remained above 4.9 percent during the preceding five years, based on Texas Workforce Commission data. In 2007, 60 counties were identified as distressed. Additionally, any block group within the state that has a poverty rate of 20 percent or more, as determined by the U.S. Census Bureau during each decennial census, is a state enterprise zone. The block group remains an enterprise zone until it no longer qualifies. The most updated list of these zones indicated that 480 census tracts contain block group enterprise zones. Information can be found at http://www.governor.state.tx.us/divisions/ecodev/ed_bank/enterprise_zone.

³⁷ Effectiveness of zones in sample states (Illinois, Indiana, Kentucky, and Ohio which all have small, highly distressed zones). Richard Elling, Workman Sheldon. 1991. "Determinants of Enterprise Zone Success: A Four State Perspective." *Enterprise Zones: New Directions in Economic Development*, ed. Roy Green (Sage Publications, Inc.; Newbury Park, CA), 145-147. Additionally, one multi-state EZ study found that the most successful zones were those that combined tax incentives with other support for economic development, such as technical assistance, site assistance, and dedicated staffing. Margaret Wilder and Barry Rubin. 1996. "Rhetoric versus Reality: A Review of Studies on State Enterprise Zone Programs." *Journal of the American Planning Association*, p. 478.

³⁸ Figures on value of shipments and capital expenditures were obtained from the Census of Manufacturers from the Census Bureau's Longitudinal Research Database, including every U.S. manufacturing plant with five or more employees. Daniele Bondonio, Robert Greenbaum. 2005. "Decomposing the impacts: Lessons from a Multi-State Analysis of Enterprise Zone Programs." From the John Glenn Working Paper Series, Ohio State University, p. 28. Another study concluded that a lack of attention to the planning process during program implementation (and lack of inclusion of planning process requirements) can strongly influence program outcomes. Margaret Wilder and Barry Rubin. 1996. "Rhetoric versus Reality: A Review of Studies on State Enterprise Zone Programs." *Journal of the American Planning Association*.

³⁹ Bruce Nissen. 1989. "Enterprise Zones as a Development Tool: The Indiana Experience." *Regional Science Perspective*, p. 10.

⁴⁰ "Colorado Enterprise Zones Legislative History." Colorado Office of Economic Development and International Trade. Available at http://www.state.co.us/oed/enterprise-zone/reports/EZ_LegisHistory.pdf

⁴¹ Each zone in Indiana is managed by a nonprofit Urban Enterprise Association, independent from local government. The Evansville zone has been touted as relatively successful, as an analysis of firm-level survey data found that 47 new businesses were created and 14 existing firms expanded during the first three years of the program. The same study found that 30 percent of new jobs went to zone residents; other studies (Papke 1988, 1989 we need full cites) found 43 percent and 14 percent of new jobs went to zone residents in the years 1986 and 1987, respectively. Barry Rubin and Margaret Wilder. 1989. "Urban Enterprise Zones: Employment Impacts and Fiscal Incentives." *Journal of the American Planning Association*. p. 479.

⁴² For example, the program in Colorado includes a tax credit for contributions to zone projects that are designed/approved by local zone administrators who are familiar with the needs of their specific zone. Communication with Sonya Guram with the Colorado Office of Economic Development and International Trade's Business Finance Division. 8 August 2007.

⁴³ Area growth rates in this study were found to be higher within zones than in the surrounding counties. The study used zones from across the country identified by contacting state officials for every state with a zone program began between 1980 and 1990, and evaluated surveys for the zone officials and census data to come to its findings. Frank Beck. October 2001. "Do State-Designated Enterprise Zones Promote Economic Growth?" *Sociological Inquiry*, p. 521-522.

⁴⁴ A survey of 137 zone businesses found that only 24 percent viewed EZ designation/incentives as strong factors in their location decisions. Instead, they were more likely to consider real estate costs, site characteristics, road/rail access, and proximity of a product market. Margaret Wilder and Barry Rubin. 1996. "Rhetoric versus Reality: A Review of Studies on State Enterprise Zone Programs." *Journal of the American Planning Association*. p. 476.

⁴⁵ The HUD study examined ten states with enterprise zones, and conducted interviews with zone participants. Participants indicated that the designation of their area as a zone had attracted business investment, but that tax incentives themselves did not encourage relocation. Existing firms were more likely to note the tax incentives as their reason for expansion. However, because study respondents had a vested interest in continuing zones, the results of this must be evaluated cautiously. Margaret Wilder and Barry Rubin. 1996. "Rhetoric versus Reality: A Review of Studies on State Enterprise Zone Programs." *Journal of the American Planning Association*, p. 476.

⁴⁶ Margaret Wilder and Barry Rubin. 1996. "Rhetoric versus Reality: A Review of Studies on State Enterprise Zone Programs." *Journal of the American Planning Association*, p. 476.

⁴⁷ Rodney Erickson and Susan Friedman. 1991. "Comparative Dimensions of Zone Policies." *Enterprise Zones: New Directions in Economic Development*, ed. Roy Green (Sage Publications, Inc.; Newbury Park, CA), p. 173-174.

⁴⁸ Cites a study by J. G. Gravelle, "Enterprise Zones: The Design of Tax Incentives," a CRS report for Congress conducted in 1992. Leslie E. Papke. 1993. "What Do We Know About Enterprise Zones?" *Tax Policy and the Economy*, ed. James M. Poterba, p. 44. Another study of 357 EZs across 17 states found a strong negative relationship between number of EZs in a state and the respective zone investment levels. Rodney Erickson and Susan Friedman. 1991.

"Comparative Dimensions of State Enterprise Zone Policy." Roy E. Green (ed.) *Enterprise Zones: New Directions in Economic Development*, (Sage Publications, Inc.; Newbury Park, CA),.

⁴⁹ Rodney Erickson and Susan Friedman. 1991. "Comparative Dimensions of State Enterprise Zone Policy." Roy E. Green (ed.) *Enterprise Zones: New Directions in Economic Development*, (Sage Publications, Inc.; Newbury Park, CA),.

⁵⁰ Telephone conversation with Sonya Guram from the Colorado Office of Economic Development and International Trade's Business Finance Division. August 8, 2007.

⁵¹ The Minnesota JOBZ program originally had an expiry date of December 2015, which meant that the number of years a firm could receive incentives was dependent on when it was approved; however, a change will take effect this year that allows JOBZ benefits to be made available for 10 full years to any qualifying business that signs on for the incentives anytime prior to the program's sunset (2015). "Minnesota's Jobs Opportunity Building Zone Initiative." 2006 Annual Report. Available at http://www.deed.state.mn.us/bizdev/jobznews_events.htm

⁵² "Colorado Enterprise Zones Legislative History." Colorado Office of Economic Development and International Trade. Available at http://www.state.co.us/oed/enterprise-zone/reports/EZ_LegisHistory.pdf

⁵³ Peters and Fisher. 2002. State Enterprise Zone Programs: Have They Worked? W.E. Upjohn Institute for Employment Research.

⁵⁴ Peters and Fisher. 2002. State Enterprise Zone Programs: Have They Worked? W.E. Upjohn Institute for Employment Research.

⁵⁵ Peters and Fisher. 2002. State Enterprise Zone Programs: Have They Worked? W.E. Upjohn Institute for Employment Research.

⁵⁶ Peters and Fisher. 2002. *State Enterprise Zone Programs: Have They Worked?* W.E. Upjohn Institute for Employment Research.

⁵⁷ “Yet the popularity of enterprise zones was always based more on conceptual arguments than on empirical evidence. Even after a large number of enterprise zone evaluations, the conclusions are still generally weak and often do not directly inform policy.” Marlon Boarnet. 2001.

“Enterprise Zones and Job Creation: Linking Evaluation and Practice.” *Economic Development Quarterly*.

⁵⁸ Peter Eisinger. 1995. “State Economic Development in the 1990’s: Politics and Policy Learning.” *Economic Development Quarterly*.

⁵⁹ All information on Michigan’s programs obtained from the Michigan Economic Development Corporation web site. Information can be viewed at <http://www.michigan.org/medc>

⁶⁰ All information on Minnesota’s programs was obtained from the Department of Employment and Economic Development website: <http://www.deed.state.mn.us/bizdev/jobzwhat.htm>cannot.

⁶¹ All information on Iowa’s programs obtained from the Iowa Life Changing website. Information can be viewed at <http://www.iowalifechanging.com/business/>

⁶² State Auditor of Colorado. November 2002. “Enterprise Zone Program Performance Audit.” Colorado Department of Local Affairs.

⁶³ Colorado Statute 39-30-102. “Legislative Declaration.”

⁶⁴ State Auditor of Colorado. November 2002. “Enterprise Zone Program Performance Audit.” Colorado Department of Local Affairs.

⁶⁵ Colorado Statute 39-30-103. “Zones Established - Termination.” Original proposals for the 16 zones were approved by the executive director of the Department of Local Affairs. While no new zones can be created, zone boundaries can be amended; the Economic Development Commission must approve proposals for amendment. Communication with Sonya Guram, economist with the Colorado Office of Economic Development and International Trade's Business Finance Division.

⁶⁶ Other Colorado EZ incentives include a research and development credit, a credit to rehabilitate vacant buildings, and an exemption from state sales and use tax for manufacturing and mining equipment. “Enterprise Zone Facts.” Colorado Office of Economic Development and International Trade. Available at <http://www.state.co.us/oed/enterprise-zone/reports/EZfacts.pdf>

⁶⁷ An expansion of an existing facility may be considered a “new business facility” if: (1) the expansion adds at least 10 employees or a 10 percent increase over the previous annual average (2) the expansion is accompanied by at least \$1 million in investment, or (3) the expansion at least doubles the original investment in the facility. In 1992, this credit was made non-refundable, meaning that firms without a tax liability to use the credit against can carry it forward but cannot redeem it for cash compensation. “Enterprise Zone Facts.” Colorado Office of Economic Development and International Trade.

⁶⁸ Eligible contribution projects include: assistance with homeless shelters with a particular focus on employment, business assistance, job training programs, infrastructure projects, marketing for development, rural health care facilities, and community development projects that contribute indirectly to job creation and job preservation in the enterprise zone. Sonya Guram from the Colorado OEDIT mentioned this can be particularly useful because local zone administrators are most familiar with zone needs and can therefore construct useful projects and use the credits to motivate business participation. “Enterprise Zone Contribution Tax Credit Guidelines.” Available at <http://www.state.co.us/oed/enterprise-zone/ez-contribution-guidelines.cfm>

⁶⁹ This paper did have some methodological problems including significant missing data and the study did not examine new firms. Devon Lynch and Jeffrey Zax. July 2006. “An Evaluation of Colorado’s Enterprise Zone Program: Measuring the Impact on Establishment-Level Employment and Earnings Per Worker.” University of Denver

⁷⁰ The study measured changes at the census tract level and was thus able to accurately capture EZs and non-EZs geographically. However, the study used decennial census data and is thus very

imprecise temporally. The study did not find statistically significant impacts for other dependent variables. James Alm and Julie Ann Hart. May 1998. "Enterprise Zones and Economic Development in Colorado." Working Paper No. 98-16. University of Colorado at Boulder.

⁷¹ State Auditor of Colorado. November 2002. "Enterprise Zone Program Performance Audit." Colorado Department of Local Affairs.

⁷² In 1995, 5,330 firms claimed EZ credits; \$49.2 million in credits were certified and \$26.7 million were claimed. The authors attribute the discrepancy to the carry-forward provision. James Alm and Julie Ann Hart. May 1998. "Enterprise Zones and Economic Development in Colorado." Working Paper No. 98-16. University of Colorado at Boulder. Also, the carry-forward provision differs in length across the incentives. Excess credits from the program's investment tax credit, for example, may be carried back three years and forward twelve. Excess jobs tax credits, on the other hand, may be carried forward five years and seven years for Enhanced Rural Enterprise Zones. "Enterprise Zone Facts." Colorado Office of Economic Development and International Trade.

⁷³ Updated information about the provision's repeal was gained from a telephone conversation with Sonya Guram from the Colorado OEDIT. "Colorado Enterprise Zones Legislative History." Colorado Office of Economic Development and International Trade. Available at http://www.state.co.us/oed/enterprise-zone/reports/EZ_LegisHistory.pdf. This provision was also mentioned another study as a way to end zone designation once the area was no longer eligible by means of distress factors. James Alm and Julie Ann Hart. May 1998. "Enterprise Zones and Economic Development in Colorado." Working Paper No. 98-16. University of Colorado at Boulder.

⁷⁴ Illinois General Assembly. 1982. Illinois Enterprise Zone Act. 20 ILCS 655.

⁷⁵ Of the 95 total zones, 88 were authorized in the original legislation. Seven additional zones have been designated as a result of the Quad Cities Regional Economic Development Authority Act, the Southwestern Illinois Economic Development Authority Act, and the Upper Illinois River Valley Development Authority Act. While the legislation includes a process for decertifying zones that are not acting as set forth in certification agreements, it does not address decertification of zones that have achieved goals prior to the 30-year designation period. "About the Illinois Enterprise Zone Association." 2007. IEZA Homepage. Information can be viewed at <http://www.ieza.org/about-us/about-us/about-the-ieza.html>.

⁷⁶ Enterprise Zone Fiscal Year 2006 Annual Report, p. 1. Information can be viewed at http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm.

⁷⁷ To be classified as low income, at least 70 percent of households must have incomes equal to or less than 80 percent of the community's median household income. Kala Seetharam Sridhar. 1996. "Tax Costs and Employment Benefits of Enterprise Zones." *Economic Development Quarterly*, p. 72.

⁷⁸ In designating zones, the DCEO gives preference to areas with high levels of poverty, unemployment, job loss, and general distress, areas with demonstrably large support from the community, areas with a specific plan for economic development, and areas where designated neighborhood organizations will work with the county or municipal government on zone administration. Illinois General Assembly. 1982. Illinois Enterprise Zone Act, 20 ILCS 655.

⁷⁹ Incentives that are not comparable to Wisconsin's EZ program include: DCEO review and relaxation of all regulations said to impair business in zones, exemption from some rules and regulations as determined by enforcing agencies (not including the Illinois Human Right Act, Historic Preservation Act, or Environmental Protection Act), DCEO loans to EZ businesses, retailers' occupation tax on building materials exemption, an investment tax credit of .5 percent of qualified property, state sales tax exemption for building materials used in construction or remodeling, state sales tax exemption on purchases of personal property for manufacturing or

pollution control, and exemptions on state utility tax for electricity, natural gas and the Illinois Commerce Commission's administrative charge and telecommunication excise tax. Local governments may also provide incentives (e.g. property tax abatements, waiver of permit fees, etc). http://www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm.

⁸⁰ The credit is for Illinois income taxes and may be carried forward for up to five years. The worker must be employed for 180 consecutive days at least 30 hours/week. A minimum of five workers must be hired to qualify for the credit. http://www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm.

⁸¹ These 2006 figures are compared to 16,054 jobs created and \$2.7 billion in investments in 2005.

Enterprise Zone Fiscal Year 2006 Annual Report, p. 9. Information can be viewed at http://www.commerce.state.il.us/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm

⁸² For example, reservation wages were assumed to vary across zones (due to unemployment) but be constant within a zone. Moreover, the authors' estimate of the costs of the program is based solely on local tax abatements, ignoring all state costs. Finally, the work assumes that each one point increase in the local unemployment rate reduces residents' reservation wages by 12 cents; however, later work by the same authors finds that reservation wages are not affected by local unemployment. Kala Seetharam Sridhar. 1996. "Tax Costs and Employment Benefits of Enterprise Zones." *Economic Development Quarterly*; Donald Haurin and Kala Sridhar. 2003. "The Impact of Local Unemployment Rates on Reservation Wages and the Duration of Search for a Job." *Applied Economics*.

⁸³ This study had some positive findings for particular regions or models focusing on zone size, but there were also negative findings with different models, and many insignificant findings. The unit of analysis for the study was the county, problematic because some zones occurred across multiple counties and most zones were a small portion of the county, meaning that any changes in the zone could be overwhelmed by other county trends. Anne Marie Drougas. 1998. Enterprise Zones and Employment in Illinois. University of Illinois at Chicago Doctoral Dissertation.

⁸⁴ The original legislation required DCEO to try a program providing aid to families with dependent children and a voucher program to reimburse companies for the training of eligible zone residents on a few zones. These programs were seen as possibilities for improving employment opportunities. However, there is no evidence as to whether DCEO did test this program, and requests to DCEO for information received no response.

⁸⁵ The credits are for training that is federally deducted or accrued. Illinois Department of Revenue. September 2000. "Training Expense Credit Update Informational Bulletin."

⁸⁶ Richard Dye, J. Fred Giertz, Therese McGuire. April 2003. "Illinois State Business Tax Provisions." Report for the Illinois Tax Foundation, p. 25.

⁸⁷ http://www.illinoisbiz.biz/dceo/Bureaus/Business_Development/Tax+Assistance/Enterprise-Zone.htm

⁸⁸ Applying businesses must intend to invest \$12 million in qualified property and create 500 jobs at a designated location, or a minimum investment of \$30 million and retention of 1500 jobs. The business must put in writing that they would not have made these investments or hired these employees without the benefits received as a high impact business, and new facilities must submit proof of non-Illinois sites that would receive their investment and job creation if the business does not receive designation. A business with the intention of creating a new electric generating facility, a gasification facility, production in a new or closed coal mine, or build new or upgrade existing transmission facilities in Illinois is similarly able to apply for this designation. The designation permits these businesses to make use of credits and exemptions made available in the Public Utilities Act, the Income Tax Act, and the Retailers' Occupation Tax Act.

⁸⁹ “About the Illinois Enterprise Zone Association.” 2007. IEZA Homepage. Information can be viewed at <http://www.ieza.org/about-us/about-us/about-the-ieza.html>.

⁹⁰ Jim Landers and Dagney Faulk. 2005. “In the Zone: A Look at Indiana’s Enterprise Zones.” *Indiana Business Review*.

⁹¹ Jim Landers and Dagney Faulk. 2005. “In the Zone: A Look at Indiana’s Enterprise Zones.” *Indiana Business Review*.

⁹² Before 2007, Indiana subjected stock of inventory to property taxation. Because most states exempt inventories from property taxation, a property tax exemption like Indiana’s is typically not relevant. Alan H. Peters and Peter S. Fisher. 2002. “State Enterprise Zone Programs: Have They Worked?” W.E. Upjohn Institute for Employment Research.

⁹³ Sarah Low and Kevin McNamara. 2004. “The Indiana Enterprise Zone Program: Fiscal Impact of a Job Creation Tax Credit.” Presented at Annual Meeting of the American Agricultural Economics Association. Other studies found similar percentages. Barry M. Rubin and Margaret G. Wilder. 1989. “Urban Enterprise Zones: Employment Impacts and Fiscal Incentives.” *Journal of the American Planning Association*; Leslie Papke. 1994. “Tax Policy and Urban Development: Evidence from the Indiana Enterprise Zone Program.” *Journal of Public Economics*.

⁹⁴ It was not possible to obtain employment numbers for just the EZ; the numbers are for the entire city (EZs were on average about 10 percent of the cities’ land area). The empirical model examined changes over time in EZs compared to non-EZs between 1981-89 and the model included jurisdiction fixed effects. At the time of this study, the inventory tax credit was still the most valuable and most utilized credit; it has since become obsolete with Indiana’s 100 percent deduction of tax on inventories. Leslie Papke. 1994. “Tax Policy and Urban Development: Evidence from the Indiana Enterprise Zone Program.” *Journal of Public Economics*.

⁹⁵ The case study notes that the Evansville EZ “has been hailed as Indiana’s most successful enterprise zone” and thus the results may not be representative of all Indiana EZs. Barry M. Rubin and Margaret G. Wilder. 1989. “Urban Enterprise Zones: Employment Impacts and Fiscal Incentives.” *Journal of the American Planning Association*, p. 420.

⁹⁶ Employment in the zone increased from 4018 in 1986 to 5896 in 1986, and the “shift-share” analysis attributes 1430 of these new jobs to EZ designation. However, this analysis assumes that growth not attributable to regional growth or regional/national trends affecting specific industries “may be due in large part to enterprise zone designation.” Of course, there were also likely other differences between the EZ and non-EZs, and thus the study’s estimates about the size of the impact should be viewed as the “maximum” possible effect. Barry M. Rubin and Margaret G. Wilder. 1989. “Urban Enterprise Zones: Employment Impacts and Fiscal Incentives.” *Journal of the American Planning Association*.

⁹⁷ Barry M. Rubin and Margaret G. Wilder. 1989. “Urban Enterprise Zones: Employment Impacts and Fiscal Incentives.” *Journal of the American Planning Association*. p. 424.

⁹⁸ Jim Landers and Dagney Faulk. June 2005. “Indiana Legislative Services Agency Fiscal Issue Brief: Indiana’s Enterprise Zones.” Indiana Legislative Services Agency. An earlier study on a particular EZ found that after EZ designation the manufacturing sector experienced a decline in jobs. Barry M. Rubin and Margaret G. Wilder. 1989. “Urban Enterprise Zones: Employment Impacts and Fiscal Incentives.” *Journal of the American Planning Association*.

⁹⁹ The total inventory tax credit cost between those years was \$5.89 million. Barry M. Rubin and Margaret G. Wilder. 1989. “Urban Enterprise Zones: Employment Impacts and Fiscal Incentives.” *Journal of the American Planning Association*. p. 423.

¹⁰⁰ Jim Landers and Dagney Faulk. Summer 2005. “In the Zone: A Look at Indiana’s Enterprise Zones.” *Indiana Business Review*. The fees range from 20-49 percent. Jim Landers and Dagney Faulk. June 2005. “Indiana Legislative Services Agency Fiscal Issue Brief: Indiana’s Enterprise Zones.” Indiana Legislative Services Agency, p. 4.

¹⁰¹ From a pool of 60 municipalities eligible for zone designation because they met distress criteria, 18 applied and the 10 that were selected were chosen because of their strong proposals for designation. Marilyn Rubin. 1990. "Urban Enterprise Zones: Do They Work? Evidence from New Jersey." *Public Budgeting and Finance*, p. 7.

¹⁰² The UEZ Act was amended in 1993 to designate an additional 10 zones in 11 municipalities, 6 of which were designated through the legislation and 4 of which were selected through a competitive process. Another amendment in 1996 added 7 zones, 3 zones were added in 2001 when the legislation was fully enacted, and legislation in 2003 and 2004 authorized two more zones. New Jersey State Legislature Senate Budget and Appropriations Committee. 2006.

"Analysis of the New Jersey Budget: Commerce, Economic Growth, and Tourism Commission and Related Economic Development Programs," p. 8. Obtained from:

<http://www.njleg.state.nj.us/legislativepub/budget/comm06.pdf>.

¹⁰³ New Jersey State Legislature. August 15, 1983. Urban Enterprise Zone Act. 52:27H-60, Section 5.

¹⁰⁴ Marlon Boarnet and William Bogart. September 1996. "Enterprise Zones and Employment: Evidence from New Jersey." *Journal of Urban Economics*. p. 201. According to the UEZ Act, a "qualifying municipality" is any municipality in which an annual average of at least 2,000 unemployed persons exists in the year immediately preceding zone application, and in which the municipal average annual unemployment rate exceeded the state average annual unemployment rate, estimated by the Office of Labor Planning and Analysis. New Jersey State Legislature. August 15, 1983. Urban Enterprise Zone Act. 52:27H-60; 3d.

¹⁰⁵ New Jersey State Legislature. August 15, 1983. Urban Enterprise Zone Act. 52:27H-60.

¹⁰⁶ The incentives in the text were listed due to their similarity with provisions of Wisconsin EZ legislation, however, these are some of the least costly incentives in the New Jersey UEZ program. The most costly incentive exempts UEZ businesses from paying sales and use tax on goods or services that are used or consumed exclusively in the zone or, materials and services for construction-related activities on real property in the zones. One study estimates that in the late 1980's, this exemption was almost 80 percent of the total cost of the UEZ program. Marilyn Rubin. 1990. "Urban Enterprise Zones: Do They Work? Evidence from New Jersey." *Public Budgeting and Finance*, p. 9. Qualified UEZ retail businesses may also charge 50 percent of the state's 7 percent sales tax on "in person" purchases, and revenue generated from the remaining 3.5 percent sale tax is maintained in a Zone Assistance Fund, to be used within the zone for economic development and public service improvement projects. This incentive was estimated to be roughly 18 percent of the total cost of the UEZ program. Marilyn Rubin. 1990. "Urban Enterprise Zones: Do They Work? Evidence from New Jersey." *Public Budgeting and Finance*, p. 9. UEZ businesses with less than \$1 million in annual gross receipts can purchase certain goods and materials sales tax free. Energy and utility service sales tax exemptions are also provided to manufacturing firms with more than 250 employees if over half of those are in a manufacturing process. Obtained from: http://www.state.nj.us/commerce/econ_uez_incentives.shtml. New Jersey UEZs also offer two non-tax benefits that give UEZ cities priority consideration in applications to the Local Development Financing Fund and ease regulatory requirements.

¹⁰⁷ Firms can be exempted from the criteria if they agree to sponsor training programs. Firms are only supposed to be approved if they are certified as not creating unemployment elsewhere in the municipality or New Jersey.

¹⁰⁸ New Jersey Economic Growth and Tourism Commission. 2006. Urban Enterprise Zone Incentives. Obtained from: http://www.state.nj.us/commerce/econ_uez_incentives.shtml

¹⁰⁹ This econometric study analyzed employment in whole municipalities with and without UEZs. Of the municipalities with UEZs, the zones composed about 30 percent of the land area. The study only examined UEZs in north and central New Jersey. Multiple statistical models were used (e.g. one model required UEZ effect to be constant over time while another model allowed the

effect to vary), including a model using two-stage least squares to remedy potential endogeneity; the results were small and statistically insignificant regardless of the model. The study also examined whether UEZs affected employment levels in various sectors (e.g. retail, service, manufacturing, etc) and the results indicate that UEZs did not have a statistically significant impact in employment distribution across sectors. Marlon Boarnet and William Bogart. September 1996. "Enterprise Zones and Employment: Evidence from New Jersey." *Journal of Urban Economics*, p. 209. While the 2005 Annual Report for New Jersey's Urban Enterprise Zone Program states that the program supports 157,000 jobs, this figure includes all employees of businesses that are active in UEZs and does not discriminate between jobs created due to the UEZ program and jobs that would have been created regardless of the UEZ program. Information obtained via telephone interview with a New Jersey UEZ representative on July 13, 2007.

¹¹⁰ Unlike the aforementioned Boarnet and Bogart study, this study examined all UEZ's in New Jersey. Using administrative data and survey responses from UEZ firms, the study estimates significant benefits from the UEZ program. However, the study estimated the impact of UEZs by asking UEZ firms how much UEZ benefits influenced their decision to "locate or expand business in the zone." Respondents, seeking to continue the tax benefits, might have exaggerated the impact to make the program appear more effective. Moreover, the item used to measure the impact was relatively imprecise. Finally, although the survey response rate was a respectable 49 percent, the authors unrealistically assume that non-respondents would be identical to respondents. Marilyn Rubin. 1990. "Urban Enterprise Zones: Do They Work? Evidence from New Jersey." *Public Budgeting and Finance*.

¹¹¹ Marilyn Rubin. 1990. "Urban Enterprise Zones: Do They Work? Evidence from New Jersey." *Public Budgeting and Finance*, p. 13.

¹¹² Marilyn Rubin and Edward Trawinski. "New Jersey's Urban Enterprise Zones: A Program That Works." *The Urban Lawyer*, p. 469.

¹¹³ Seven regional Account Executives serve in New Jersey's 21 counties, and six industry Account Executives work with businesses concerning finance and insurance, information technology, logistics, chemicals, pharmaceuticals and biotechnology, hospitality, and higher education. These executives serve as a liaison between businesses and industry members and government, representing these businesses to regulatory and legislative officials. No evaluations specifically concerning Account Executives were found. In addition, municipal zone coordinators operating in the communities designate qualified businesses, advertise zones, and make determinations regarding the use of the Zone Assistance Fund for economic development. Jersey City Economic Development Corporation. "Financial Incentives." Information can be viewed: <http://www.jcedc.org/npc/financialincentives.html>; "Economic Development Overview." Information can be viewed: http://www.state.nj.us/commerce/econ_overview.shtml. New Jersey Urban Enterprise Zone Program Annual Report Fiscal Year 2005, p. 4. Information can be viewed at http://www.state.nj.us/commerce/econ_uez_program.shtml. "Newark UEZ Frequently Asked Questions." Information can be viewed: <http://www.newarkuez.org/faq-general.html>.