

Center for American Progress



The GO Zone Won't Go:

Lessons for Gulf Opportunity Zones

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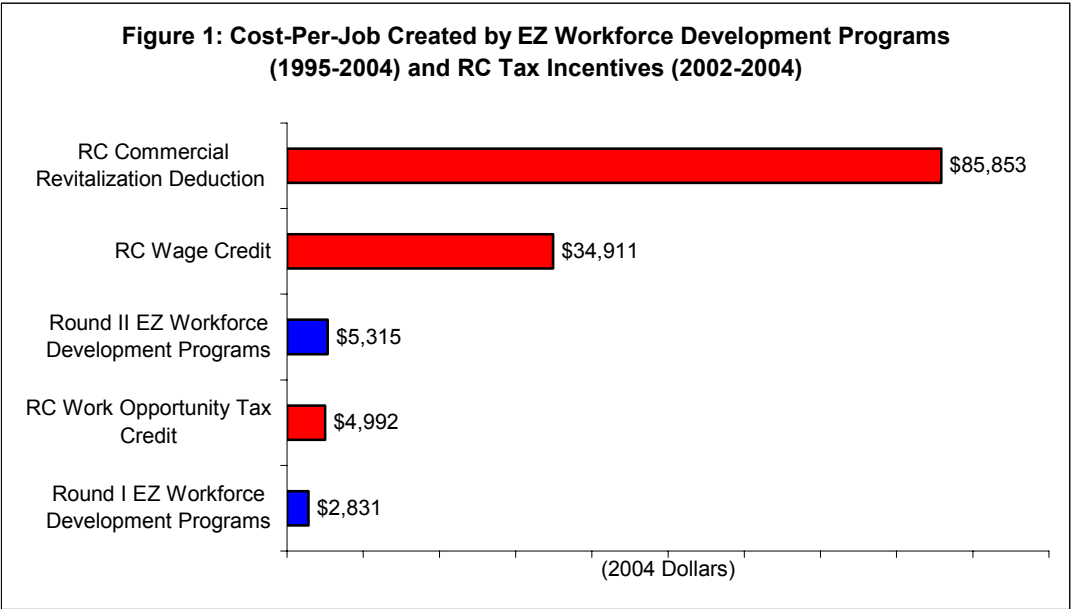
By John Alexander Burton

Executive Summary

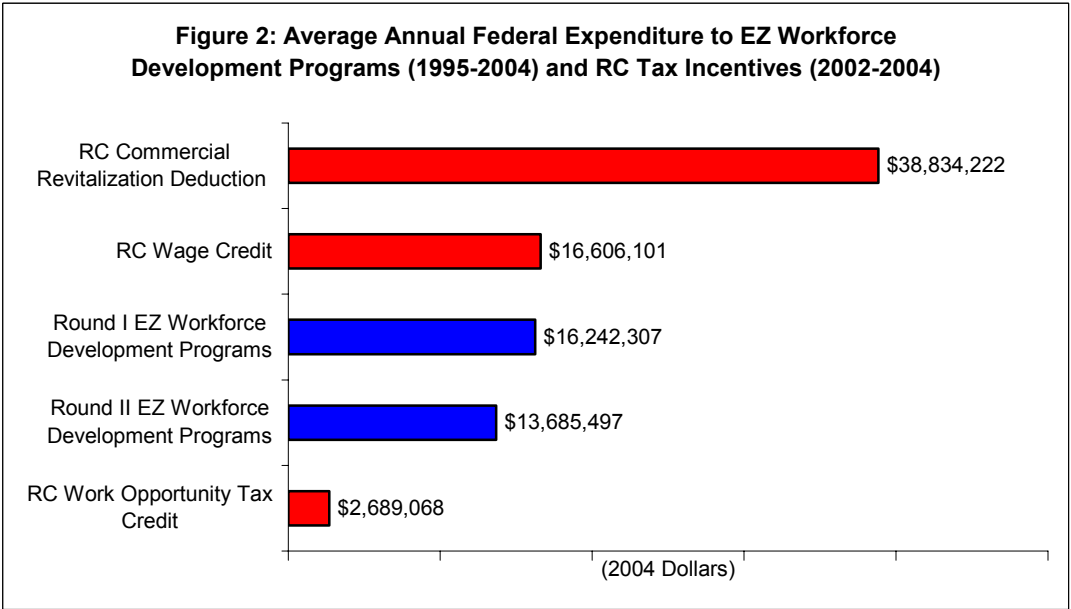
On September 15, 2005, two weeks after Hurricane Katrina's landfall on the Gulf Coast, President Bush proposed a new Gulf Opportunity Zone (GO Zone) to rebuild the economy of the devastated region. The President had first proposed the Opportunity Zones a year earlier, when he addressed the 2004 Republican Convention. These zones would offer lower tax rates, investment incentives and regulatory relief. This proposal can be compared to earlier efforts at job creation in underdeveloped areas. In 1993, President Clinton's first "round" of Empowerment Zones (EZ) and Enterprise Communities (EC) combined flexible block grants for locally-determined services with tax incentives to encourage investment and hiring. Conservatives in Congress expanded the tax incentives while restricting the promised grants funding to the later rounds of EZ/ECs. Also, the Renewal Community (RC) initiative, championed by conservatives, offers tax breaks in the place of direct grants.

The successes and failures of the EZ/EC/RC initiatives can inform an analysis of the proposed "GO Zone." The chief conclusions of this report are that:

- **TAX INCENTIVES FOR RENEWAL COMMUNITIES ARE NOT COST-EFFICIENT:** The RC wage credit created jobs for RC residents at an average cost of \$34,911 (2004 dollars) and the commercial revitalization deduction created new jobs at an average cost of \$85,853 (2004 dollars). Round I and Round II EZ workforce development programs generated jobs for EZ residents at an average cost of \$2,831 (2004 dollars) and \$5,315 (2004 dollars) respectively. Compared to the EZ workforce development programs, the RC tax incentives create jobs for RC residents at a higher cost to the federal government (Figure 1). Nonetheless, RC tax incentives like the commercial revitalization deduction (CRD) and the wage credit receive larger federal expenditures than the more cost-efficient EZ workforce development programs receive (Figure 2).
- **FUNDED EZ/EC PROGRAMS CREATED JOBS:** The EZ/EC economic opportunity programs have generated over 290,000 job opportunities for EZ/EC residents.
- **TAX INCENTIVES FOR RENEWAL COMMUNITIES ARE NOT WIDELY USED:** Despite the RC marketing efforts and outreach to businesses, the average take-up rates for the RC tax incentives range from 0 percent to 4 percent.
- **TAX INCENTIVES ALONE HAVE LIMITED VALUE:** Many individuals and businesses in distressed communities have little if any federal tax liability. EZ administrators indicate that these tax incentives were not particularly helpful in stimulating new investment.
- **THERE IS A HIGH RISK OF TAX FRAUD:** GAO reports indicate that the IRS does not collect the data necessary to verify that EZ/EC/RC tax incentives are not claimed by ineligible or out-of-area tax filers. Nor is the IRS tracking tax benefit amounts in the New York Liberty Zone. These tax policies present high risks for the Gulf Region.



Source: Annual Reports submitted to HUD by the empowerment zones and renewal communities.



Source: Annual Reports submitted to HUD by the empowerment zones and renewal communities.

Introduction

On September 15, 2005, two weeks after Hurricane Katrina's landfall on the Gulf Coast, President Bush proposed a new Gulf Opportunity Zone (GO Zone) to rebuild the economy of the devastated region. President Bush first proposed the Opportunity Zones at the Republican Convention in September 2004, offering lower tax rates, investment incentives and regulatory relief for "poor communities but also formerly booming neighborhoods that have lost their economic bases."¹ As proposed, the GO Zone primarily uses tax reduction as a strategy to stimulate economic revitalization. Business expensing for new equipment will double from \$100,000 to \$200,000 for small businesses. All businesses can claim a 50 percent bonus depreciation deduction. Existing tax preferences will be extended to the construction of new structures. It is hoped that this tax package will spur economic growth.

The successes and failures of the Empowerment Zones/Enterprise Communities (EZ/EC) and Renewal Communities (RC) initiatives can inform an analysis of the proposed "GO Zone." The chief conclusions of this report are that:

- **TAX INCENTIVES FOR RENEWAL COMMUNITIES ARE NOT COST-EFFICIENT:** The RC wage credit created jobs for RC residents at an average cost of \$34,911 (2004 dollars) and the commercial revitalization deduction created new jobs at an average cost of \$85,853 (2004 dollars). Round I and Round II EZ workforce development programs generated jobs for EZ residents at an average cost of \$2,831 (2004 dollars) and \$5,315 (2004 dollars) respectively.
- **FUNDED EZ/EC PROGRAMS CREATED JOBS:** The EZ/EC economic opportunity programs have generated over 290,000 job opportunities for EZ/EC residents.
- **TAX INCENTIVES FOR RENEWAL COMMUNITIES ARE NOT WIDELY USED:** Despite the RC marketing efforts and outreach to businesses, the average take-up rates for the RC tax incentives range from 0 percent to 4 percent.
- **TAX INCENTIVES ALONE HAVE LIMITED VALUE:** Many individuals and businesses in distressed communities have little if any federal tax liability. EZ administrators indicate that these tax incentives were not particularly helpful in stimulating new investment.
- **THERE IS A HIGH RISK OF TAX FRAUD:** GAO reports indicate that the IRS does not collect the data necessary to verify that EZ/EC/RC tax incentives are not claimed by ineligible or out-of-area tax filers. Nor is the IRS tracking tax benefit amounts in the New York Liberty Zone. These high-risk tax policies should not be exported to the Gulf Region.

The GO Zone threatens to repeat the mistakes of RC "tax incentives only" strategy. Ultimately, the EZ/EC offer a policy model that is superior to the RCs. Residents of the Gulf Coast are better served by a balanced policy that includes government investment through flexible grants and appropriately targeted tax incentives.

¹ David Nather, "Empowerment Zones: Who's Minding the Store?" Congressional Quarterly Weekly, Nov. 24, 2004. p. 2809

Tax Incentives for Renewal Communities are Not Cost-Efficient.

While the Empowerment Zones/Enterprise Communities (EZ/EC) initiative included grant funding and tax incentives, the Renewal Communities (RC) initiative does not offer grants—only tax incentives.² Compared to the EZ/EC workforce development programs, the RC tax incentives are not cost-efficient³:

- The RC wage credit⁴ costs an average of \$34,911 (2004 dollars) per job created.
- Another RC tax incentive, the commercial revitalization deduction⁵, costs an average of \$85,853 (2004 dollars) per job created.
- The Work Opportunity Tax Credit⁶ (WOTC), signed into law by President Clinton in 1996, is a cost-efficient tax incentive. It continues to play a limited role as a cost-efficient job creator for EZ/EC and RC residents—averaging \$4,992 (2004 dollars) per job created for RC residents.
- The EZ/EC workforce development programs had significantly lower costs per job created. For example, the Round I EZ workforce development programs created jobs for EZ residents at an average cost of \$2,831 (2004 dollars).

The RC wage credit is a tax incentive for businesses to create jobs and retain current employees. According to data reported by the RCs, businesses claimed \$49,818,304 (in 2004 dollars) worth of RC wage credits in the three-year period 2002-2004. The RC wage credit created 1,427 jobs—after three years and at a cost to the federal government of almost \$50 million. This averages a federal expenditure of \$34,911 (2004 dollars) per job created. The RC wage credit created jobs at a higher cost in federal dollars per job than the EZ/EC workforce development programs did. In fact, most of the RC wage credit dollars—52 percent—did not create any new jobs at all (Figure 3).

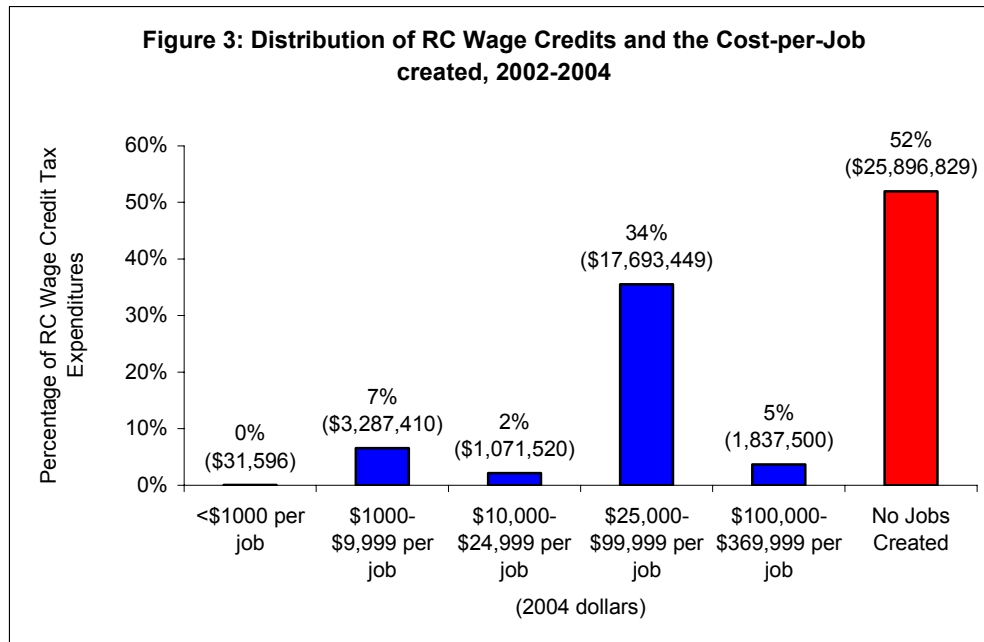
² For a discussion of the legislative history of the EZ/EC and RC initiatives as well as the history of EZ/EC funding, see Appendix A. For tables providing detailed information on the job creation costs of the EZ/EC programs and RC tax incentives, see Appendix B.

³ Throughout this report, references to the cost-per-job created or retained are specifically limited to the cost to the federal government per job created or retained. As discussed below, EZ/EC programs were able to achieve lower costs to the federal government by enabling communities to leverage federal funds and draw additional support from private sources, local and state government. The advantage of the EZ/ECs is not the ability to create a job at an average cost of under \$3,000—it is the ability to initiate the process that leads to the creation of a job, while limiting the average cost to the federal government to just under \$3,000.

⁴ The RC wage credit, like the EZ wage credit, offers a two-year subsidy to employers hiring RC residents.

⁵ The Commercial Revitalization Deduction is a tax incentive created as part of the RC initiative. This tax incentive encourages businesses to invest in distressed real estate. Each state designates a commercial revitalization agency and this agency is permitted to allocate up to \$12 million of commercial revitalization expenditure amounts with respect to each renewal community located with the state for each calendar year after 2001 and before 2010. These tax deductions are called qualified revitalization expenditures (QREs). These expenditures “must be made pursuant to a qualified allocation plan that is approved” by the state or local government.

⁶ The WOTC is an employer-side credit that offers a maximum \$2,400 subsidy to those employing “hard to employ” individuals. Eligible groups included veterans, food stamp recipients, and underprivileged youth. Generally, these groups have high unemployment rates or other special employment needs.



Source: Annual Reports submitted to HUD by the renewal communities.

How do we establish a context for this figure? Is \$34,911 a high cost or a low cost for creating jobs? Consider how other programs have done. The workforce development programs in the EZ/ECs are also federal expenditures intended to stimulate job creation—albeit through different approaches. Workforce development programs include job training and preparedness, counseling, job matching/placement services and job fairs. These initiatives successfully leverage large amounts of private, state, and local spending. Between 1995 and 2004, workforce development programs in the Round I EZs created 57,363 jobs (Table 1). The total cost in federal grant dollars was roughly \$162 million. This averages \$2,831 in federal dollars per job created.⁷

EZ/EC workforce development programs created more jobs for EZ/EC residents than the RC wage credit created for RC residents measured as an annual rate (Table 1). Furthermore, the EZ/EC workforce development program accomplished this at a lower cost. In other words, fewer federal dollars were spent to create each job through the EZ/EC workforce development programs. It cost the federal government considerably more to create a job for an RC resident through the RC tax credit than it did to create a job for an EZ/EC resident through a workforce development program.

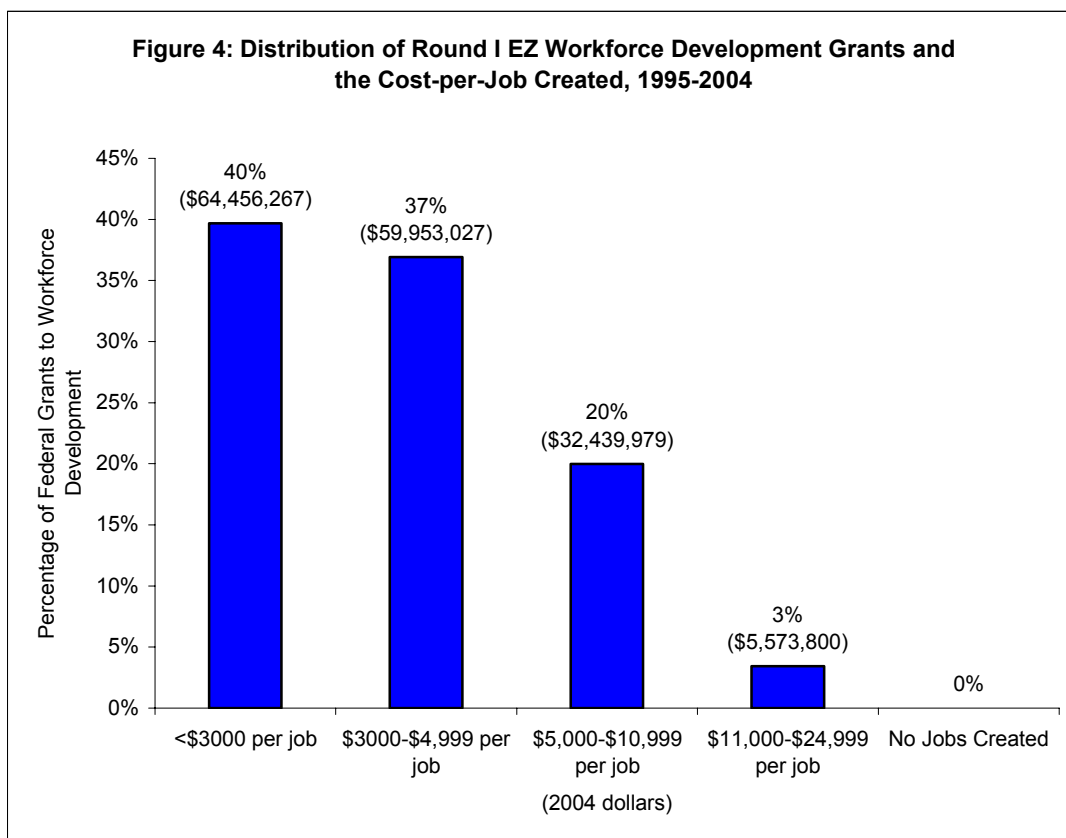
⁷ This does not mean that these jobs were created at an average cost of \$2,831. Rather, the federal government spent on average \$2,831 per job created.

Table 1: Federal Expenditures for Workforce Development Programs (WDP) in the Round I EZs and the RC wage credits, 1995-2004 (2004 dollars)

	Total Federal Expenditure	Number of Years	Federal Dollars Per Year	Total Jobs Created	Jobs Created Per Year	Dollars Per Job
Round I EZ WDP (1995-2004)	\$162,423,073	10	\$16,242,307	57,363	5,736	\$2,831
Round II EZ WDP (1998-2004)	\$136,854,971	7	\$19,550,710	25,749	3,678	\$5,315
RC Wage Credits (2002-2004)	\$49,818,304	3	\$16,606,101	1,427	476	\$34,911
TOTAL	\$349,096,348			84,539		

Source: Annual reports submitted to HUD by empowerment zones and renewal communities

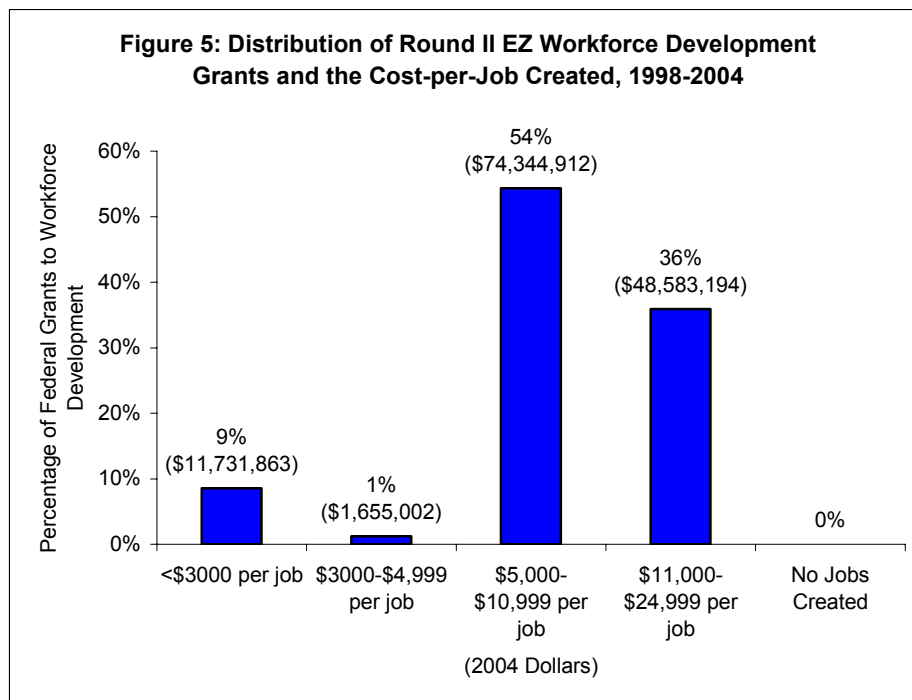
Among the Round I EZs, the Detroit EZ had the highest average cost in federal dollars per job created. At \$15,725 per job, this EZ would have been in the decile of RCs with the lowest cost per job. Figure 4 shows the range of job creation costs in the Round I EZ jurisdictions.



Source: Annual reports submitted to HUD by empowerment zones

In the Round II EZs, the workforce development programs also created jobs at an average cost that was lower than the cost attached to the RC wage credit. These EZs distributed over \$136 million in federal grants to programs that created 25,749 jobs—averaging to \$5,315 in federal dollars per job created.

As shown in Figure 5, the Round II EZ workforce development programs operated well below the average cost per job associated with the RC wage credit. Round II EZ costs were higher than the Round I EZ costs, however. Comparing Figure 4 and Figure 5, we also see that the 77 percent of the Round I EZ workforce development funds were allocated to jurisdictions that created jobs at a cost below \$5,000 per job (2004 dollars)—compared to only 26 percent of the Round II EZ workforce development funds. Indeed, the average cost per job in Round II EZ workforce development programs—\$5,315 (2004 dollars)—is nearly twice that of the Round I EZ workforce development programs, \$2,831 (2004 dollars).



Source: Annual reports submitted to HUD by empowerment zones

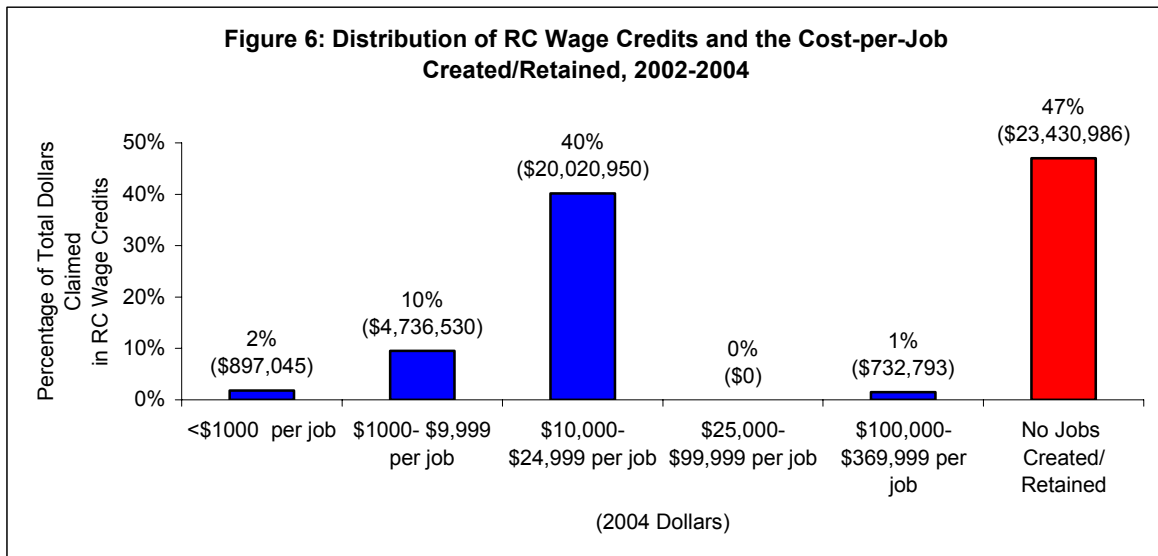
Among the Round II EZs, the Minneapolis EZ had the highest average costs per job created, \$24,115 (2004 dollars). This is lower the average job creation cost level of the RC wage credit—\$34,911 (2004 dollars).

The Commercial Revitalization Deduction (CRD) is one of the more expensive federal tax expenditures connected to the RC initiative. Between 2002 and 2004, RCs have allocated roughly \$380 million (2004 dollars) in federal tax breaks to rehabilitate distressed properties and build new structures. Of the funds allocated, only \$117 million (2004 dollars) have actually been used by businesses. 1,357 jobs were created due to the CRD allocations. As a job creation strategy, the commercial revitalization deduction is the most cost-prohibitive of the five RC tax incentives for which the RCs report data. The data indicate that most RCs did not annually allocate \$12,000,000 in QREs between 2002 and 2004. Like the RC wage credit allocations, most of the commercial revitalization deductions (CRDs) were claimed by businesses indicating that the tax incentive did not create jobs for RC residents.

The WOTC encourages employers to hire individuals considered “hard to employ.” This tax provision was signed into law by President Clinton as part of the Small Business Job Protection Act of 1996. It has been re-authorized and is scheduled to expire at the end of 2005. In the three-year period 2002-2004, federal tax expenditures for the WOTC approached \$8.1 million (2004 dollars) according to data furnished by the RCs. An estimated 1,616 jobs were created for RC residents due to the WOTC—averaging \$4,992 (2004 dollars) in federal dollars per job created. The WOTC can serve as a cost-effective job creator in low-income areas and is of special value to firms employing individuals transitioning from welfare to work.

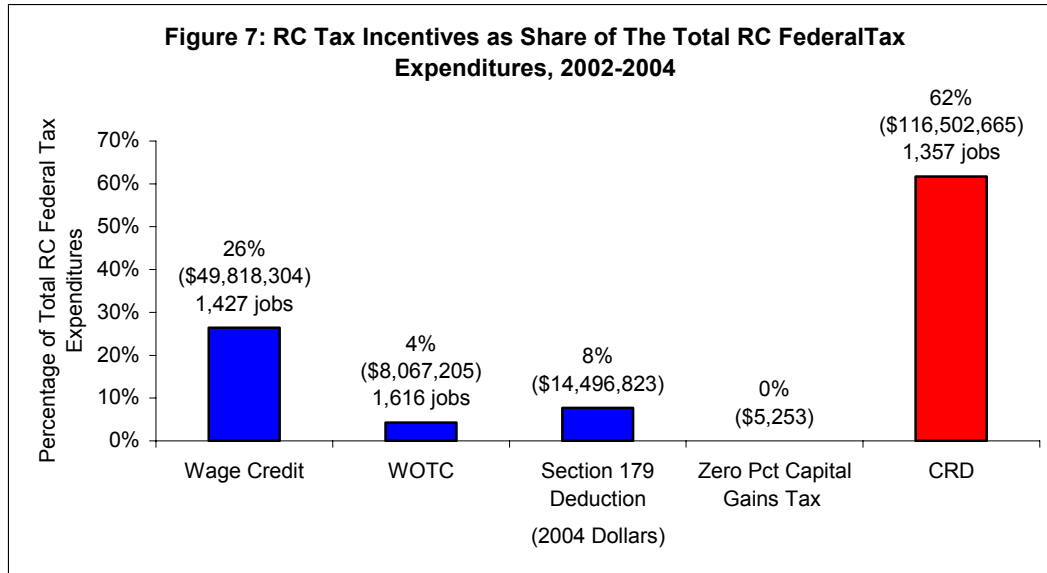
Up to this point we have only looked at measures of jobs created for EZ/EC and RC residents. Some EZ/EC programs and some RC tax incentives are tasked with job retention as well as job creation. For example, the RC wage credit offers a subsidy for two consecutive years of employment. In the EC/EZs, the workforce development programs focused on job creation but many of the business assistance and access to capital programs tracked the number of EZ/EC resident jobs either created or retained. In the RCs, the costs per job created or retained are lower than the costs per job created. The RC costs per job created/retained remain higher than the costs in the EZ/ECs.

For the three-year period 2002-2004, the 40 RCs reported a total of 1,427 jobs created by the RC wage credit. In addition to these jobs, 3,767 jobs were retained due to the wage credit (Table 2). The \$49.8 million (2004 dollars) in RC wage credits yielded 5,084 jobs created/retained, averaging \$9,799 per job created/retained. As Figure 6 illustrates, 47 percent of the dollars claimed in RC wage credits were reported as failing to create or retain jobs for RC residents.



Source: Annual reports submitted to HUD by renewal communities

As shown in Figure 7, federal tax expenditures for RC incentives during the three-year period (2002-2004) exceeded \$188 million (2004 dollars). Most of the funds (62 percent) were directed towards the community revitalization deductions. The average cost per job created by the CRDs exceeds \$85,000—far above the median family income.⁸



Source: Annual Reports submitted to HUD by the renewal communities.

⁸ In 2003, the median family income in the U.S. was \$54,260 (2004 dollars). Economic Policy Institute. *The State of Working America 2004/2005*, Page 42.

The Funded EZ/EC Programs Created Jobs

The broad EZ/EC goal of “economic opportunity” programs includes categories for workforce development, business assistance, access to capital and tax incentive utilization plans. A number of business assistance programs⁹ and services providing access to capital ultimately created new jobs and made it possible to retain current workers as well.

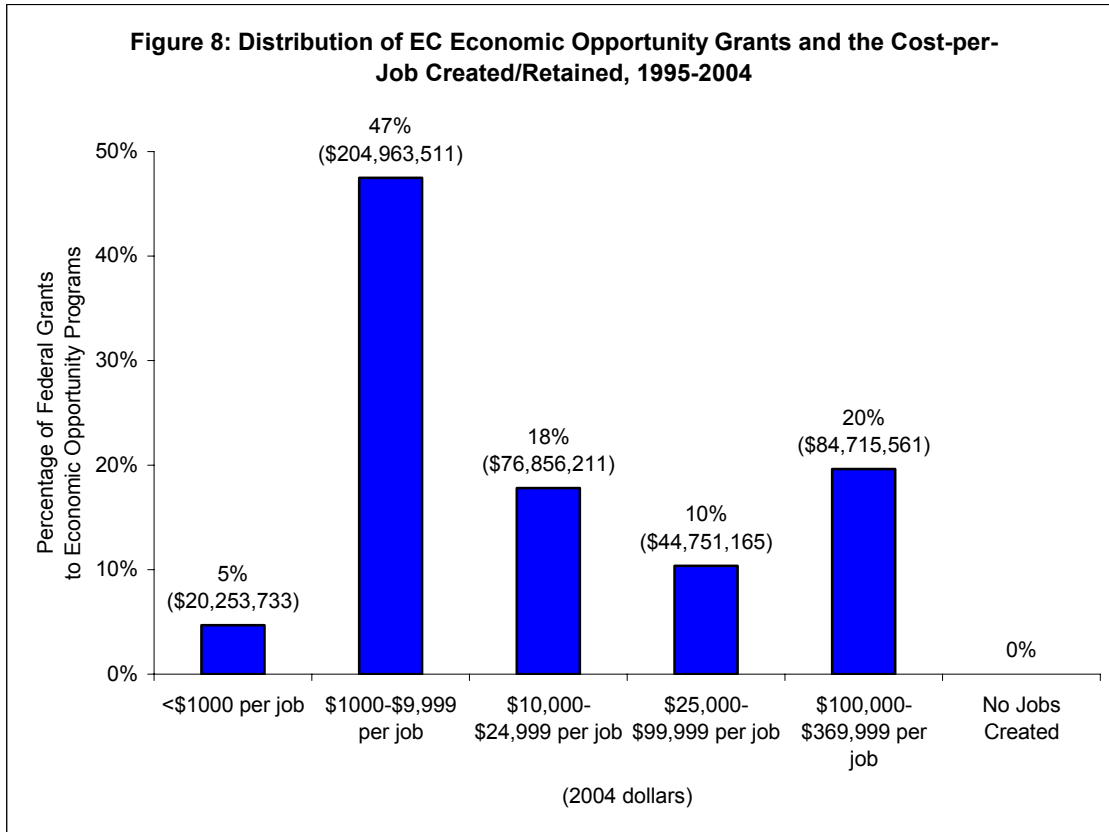
The business assistance and access to capital programs do not directly focus on job creation—they are not workforce development programs. Nonetheless, these programs delivered more jobs per year and at a lower cost than the RC-specific tax incentives that actually targeted job creation as their primary goal. In the ECs, for example, the average cost of jobs created/retained for all economic opportunity programs is \$4,204 (2004 dollars) per job created/retained—compared to \$ 9,799 (2004 dollars) per job created/retained by the RC wage credit (Table 2).

Comparing the economic opportunity programs that were administered in the ECs to the RC wage credit, we find that even when the cost of business assistance programs and access to capital services is factored in, the EC economic opportunity programs both created and retained more jobs than the RC wage credit, at a higher annual rate, and at a lower cost in federal dollars per job created/retained (Figure 8).

As reported in Table 2, the ECs produced 102,650 job outputs—52,664 jobs created and 49,986 jobs retained. At a total cost of \$431,540,181 (2004 dollars)—this averages to a cost of \$4,204 (2004 dollars) per job created/retained. Figure 8 illustrates the superior performance of the EC economic opportunity programs relative to the RC wage credit (compare to Figure 1 and Figure 6). For EC economic opportunity programs, the average federal cost per job created/retained—\$4,204 (2004 dollars)—is less than half the cost of the “targeted” RC wage credit—\$9,799 (2004 dollars).

The gap between the EC and RC performance is so significant that we could exclude the 49,986 jobs retained and simply count the jobs created—but include all of the costs of job retention. Under such a hypothetical burden, the average cost to create a job is \$8,194 (2004 dollars)—still less than the job cost attached to the RC wage credit.

⁹ Business assistance programs focused on providing technical and financial assistance to businesses, education on how to start a business, accounting training, and assistance in winning local and federal government contracts.



Source: Annual Reports submitted to HUD by the enterprise communities.

The ECs and RCs are very different—as presented in Table 2, the ECs created jobs each year at a pace that was over six times the rate of the RCs.

Table 2: Federal Expenditures for EC economic opportunity programs and RC wage credits, 1995-2004 (2004 dollars)

	Total Federal Expenditure	Number of Years	Federal Dollars Per Year	Total Jobs Created/Retained	Jobs Created/Retained Per Year	Dollars Per Job
EC Econ. Opportunity. (1995-2004)	\$431,540,181	10	\$43,154,018	102,650	10,265	\$4,204
RC Wage Credits (2002-2004)	\$49,818,304	3	\$16,606,101	5,084	1,695	\$9,799
TOTAL	\$481,358,485			107,734		

Source: Annual Reports submitted to HUD by the enterprise communities and renewal communities.

Why is the EC/EZ performance so different from the RC performance? As indicated in Table 1, the Round I EZ workforce development programs, on average, created 12 times as many jobs in a year as the RC wage credits did (5,736 jobs per year versus 476 jobs per year). While the Round I EZ operated in both the 1990s booming economy and the economic downturn of much of 2002-2004, the RCs operated only in the economic downturn. While this requires some adjusting of expectations, the EZs and RCs operated in the same country—and for that matter, often in the same cities—within years of each other, when they didn't overlap outright. The 1:12 ratio of annual job growth rates cannot be explained by the sluggish economy of 2002 and 2003. In fact, the costs of the EZ workforce development programs declined between 2000 and 2004.

Unlike the RCs, EZ/ECs leveraged the EZ/EC “designation” to attract additional federal funding. This designation was an advantage in competing for federal grants. These federal funds (EZ/EC block grants and otherwise) were leveraged in the local communities to draw private, non-profit, state and local funding. Ultimately, the cost in federal dollars per job created is lower because significant non-federal resources were mixed in the labor. In the EZ/ECs, the government did not shoulder the burden—it catalyzed the activity.¹⁰

The RCs are “funded” through tax incentives that are very specific (though not necessarily targeted). Unlike the EZ/ECs, the RCs are not free to use flexible grant funding as leverage to fund an initiative that addresses a local priority. Funding leveraging as leverage to fund an initiative that addresses a local priority. Funding leveraging more funding—this is how the EZ workforce development programs achieved scale. Ultimately, the RCs are unable to bring down the job creation costs because they do not have any partners to carry part of the burden.

¹⁰ The Clinton Administration noted: “The Budget proposes a second round of funding for Empowerment Zones and Enterprise Communities to stimulate the public-private partnerships needed for large scale job creation. The first round has already proven successful in leveraging private sector funds and promoting economic opportunity and community-wide revitalization.” Office of Management and Budget: Analytical Perspectives: The Budget of the United States Government, Fiscal Year 1999, Page 214.

Tax Incentives for Renewal Communities are Not Widely Used

RC administrators are tasked with the responsibility to educate businesses about the available tax incentives and market the tax breaks in a variety of ways. The data indicate that despite extensive marketing and educational efforts, the average take-up rate (the number of businesses claiming the tax incentive/the number of businesses contacted by the RC) ranges between 0 percent and 4 percent for four tax incentives—the RC wage credit, the WOTC, the Section 179 deductions, and the zero percent capital gains rate tax incentive.¹¹

Between 2002 and 2004, each of these tax incentives was marketed to over 100,000 businesses nationwide. The incentives do not fail for lack of effort on the part of the RC administrators:

- RC Wage Credit: Of 110,957 businesses contacted, only 4,337 businesses claimed the wage credit (4%).
- WOTC: Of 103,868 businesses contacted, only 1,964 businesses claimed the WOTC (2%).
- Section 179 Deductions (additional depreciation expensing allowance): Of 105,610 businesses contacted, only 1,884 businesses claimed the deduction (2%).
- Zero Percent Capital Gains Tax Rate: Of 103,349 businesses contacted, between 3 and 27 businesses made use of this incentive (0%).

¹¹ See Appendix B for tables providing detailed information on the take-up rates of the RC tax incentives.

Tax Incentives Alone Have Limited Value

Some EZ/EC directors made a point of explicitly articulating the superiority of direct grant funding to tax incentives, if not outright criticizing the federal-level insistence on tax incentives. Some of these criticisms were leveled in the 1990s. According to the annual report of the Round II EZ in Columbus, Ohio, EZ and RC directors have made more several appeals to the Administration to repair the damage done by shifting emphasis from the promised direct funds to low-demand tax incentives:

The [Columbus Compact Corporation] continued to market the federal tax incentives to zone and regional businesses. ...Anecdotal evidence from hundreds of meetings with corporate presidents, accountants, and human resources professionals suggests, however, that the EZ tax incentives are not a particularly effective way to promote central city revitalization.

The Columbus Empowerment Zone submitted a summary of its experiences to the President's Advisory Panel on Federal Tax Reform. **The assessment of the 15 Round II Urban EZ Directors is that the tax incentives were not particularly helpful to stimulating new investment in our zones.** The Directors also agreed that the more effective and more accountable use of Empowerment Zone spending is through the grant portion of the EZ program, rather than through the tax incentives portion of the program. [Emphasis added]¹²

The letter to the President's Advisory Panel on Federal Tax Reform, signed by all 15 Round II EZ directors, stated, "The Round II EZ tax incentives are designed to encourage businesses to hire residents...and to encourage investment in capital assets....Experience has shown that the various credits are of marginal use to most businesses."¹³

The EZ directors "suspect that most businesses using the EZ Employment Credit do little more than hire specialized tax credit claiming businesses to scan their payroll rosters for employee addresses in the EZ at tax filing time, in order to determine the amount of credits they can claim. EZ Directors are doubtful that significant numbers of EZ resident hirings are motivated by the presence of the incentive."¹⁴

The letter also notes that 13 of the Round III EZs and RCs have expressed dissatisfaction with the current policy. In a February 15, 2005 letter to HUD Secretary Alphonso Jackson, a representative of the group of 13 EZ/RCs writes:

To insure that the goals and objectives of the EZ/RC legislation are realized, it is important that certain changes be made. By way of example, current statutory language, in large part, negates the use of bonds in the EZ's and leaves unworkable the Commercial Revitalization Deduction in the RC's.¹⁵

¹² Columbus, Ohio Empowerment Zone Annual Report (2005), 2-3.

¹³ Round II EZ Letter to Tax Panel (2005), 2.

¹⁴ Ibid, 3.

¹⁵ Karl Hillerman, Chairman of the Oklahoma City Enterprise Community and Empowerment Zone Governance Committee, Letter to HUD Secretary Alphonso Jackson, (2005), cited in Round II EZ Letter to Tax Panel (2005), 4.

The critique of the group of 13 EZ/RCs directors, like that of the 15 Round II EZ directors, is “based upon our direct experience with the programs,” not ideology or party politics. Indeed, the “measure of dissatisfaction with the tax incentives coming from the newly-designated areas who had applied for the tax incentives-only designation, illustrates again the frustrations in implementing tax incentive programs that have turned out to have had marginal community revitalization impact, at best.”¹⁶

In a letter addressing the President’s Panel on Tax Reform, all 15 of the Round II urban EZ directors reported that their experiences across the country all led to the conclusion that the tax incentives are not a stand-alone policy for economic revitalization; they argued “that the tax incentives by themselves have a negligible impact, at best, on community revitalization, and are clearly useful only in conjunction with other direct spending.”¹⁷

Such a prospect was raised as early as six years ago. A GAO report in September 1999 concluded from a survey of EZ businesses that (a) the employer credits were the most frequently used from the set of employer credits, advanced depreciation and capital gains rate deductions; (b) large businesses were far more likely to use any of the tax incentives than small businesses; and (c) businesses large and small were generally not interested in these tax incentives, nor did they identify these tax incentives as motivations to move to or remain in an EZ area.¹⁸ What we have seen in the RCs, then, should not be a surprise.

Why don’t small businesses use these tax incentives? Many small businesses are “micro-enterprises” with no employees besides the sole proprietor. The employer credit is, by definition, not applicable to them. Start-up businesses—especially those in a disaster recovery area or an area with high poverty—are highly unlikely to “start up” with several employees. Put another way, small businesses are very rarely born as employers—they are micro-enterprises. An employer credit does not address the needs of a large and critical sector of the small business economy.¹⁹

In contrast, direct grant funding allowed the EZs and ECs to craft precise local policy with predictable outcomes (e.g., job training for specific skills, business creation in a particular sector; employment for residents of a particular housing project). This “capacity” is absent on the tax side. Assuming that the tax incentives can stimulate desired behavior, the challenge, as Jane Gravelle notes, becomes a matter of coordinating mechanisms that can undercut each other.

¹⁶ Round II EZ Letter to Tax Panel (2005), 4.

¹⁷ Letter to Tax Panel (2005), 5.

¹⁸ U.S. General Accounting Office, *Community Development: Businesses’ Use of Empowerment Zone Tax Incentives*, GAO/RCED-99-253 (Washington, DC: September 1999) Report based on a survey of businesses operating in the original nine Round I EZs.

¹⁹ “The EZ Employment Credit is one incentive marketed by Round II EZs. Unfortunately, they are hard to use by the closely held businesses and family-owned businesses most likely to populate our distressed communities. Thus, the same businesses most likely to generate employment and high growth rates are generally not eligible for the credit at the time in their growth cycles when it would be most helpful.” Round II EZ Letter to Tax Panel (2005), 2-3.

The rationale that tax cuts create jobs for residents in depressed areas “suggests that tax subsidies provided should be in the form of wage subsidies, which are more likely than subsidies for investment [i.e., accelerated depreciation] to produce jobs.”²⁰ The report continues, “under certain circumstances capital subsidies could actually decrease employment by encouraging labor saving investments. Yet many of the subsidies provided in these geographically targeted areas are subsidies for capital investment.”²¹

Should these low-demand tax incentives be extended to the Gulf Region? Refundable tax credits can stimulate individuals and businesses that do not have tax burdens. If non-refundable tax credits and deductions—such as those proposed by the President—are to be the hub of economic revitalization, most of the residents of these areas will not be directly benefited. Economic revitalization is market building, not mere maintenance; it is the creation and development of the building blocks of an eventual market. In this regard, the data presented in this report underscore Jane Gravelle’s observation in the CRS Report, “Tax Policy Options After Hurricane Katrina”:

In many ways, the tax system is not well suited to helping the victims in disaster areas, and direct aid may be more successful. Many low income people who may be the most needy do not pay taxes. Only new provisions that allow refundable tax benefits would be of assistance to them. As with other short term uses of the tax system, enacting and distributing tax benefits is difficult, and tax benefits that are limited by region present administrative problems.²²

Above all, the strategic and pre-planned deployment of direct aid, as demonstrated by the EZs and ECs, is nimble economic policy that can materially change the lives of the unemployed, underemployed, and working poor in ways that nonrefundable tax preferences simply cannot. With a dependable long-term source of funding, economically distressed areas can craft and implement successful plans to escape deep poverty.

²⁰ CRS Report, *Using Business Tax Cuts to Stimulate the Economy* (2003),

²¹ *Ibid.*

²² CRS Report, *Tax Policy Options After Hurricane Katrina*, by Jane G. Gravelle. September 16, 2005.

High Risk of Tax Fraud

The tax incentives associated with the EZ/EC/RC initiative and the New York Liberty Zone (created after 9/11) are not being tracked by the IRS. The Liberty Zone tax expenditure is estimated at \$5 billion and the seven-year cost of the EZ/RC tax credits (2004-2010) is estimated at \$6.9 billion.²³ The data necessary in order to prevent tax filers from improperly claiming these targeted tax benefits is not currently being collected. Building upon such a model and distributing relief to the Gulf Coast through large tax expenditures only serves to increase our vulnerability to a risk that has not been adequately addressed several years after being brought to the attention of the Administration.

The GAO reported in September 2003 that regarding the Liberty Zone, it would be difficult to adjust the Joint Committee on Taxation (JCT) estimate of \$5 billion in lost tax revenue because “the tax benefit amounts are not being tracked.” The study, titled, “Information is Not Available to Determine Whether \$5 Billion in Liberty Zone Tax Benefits Will be Realized,” enumerated necessary steps towards accountability, including some extensive changes to the current tax filing forms, processing procedures, computer programming and staffing that would be required in order for the IRS to be able to gather information for the 2004 and 2005 tax years. A full two years later, no progress has been made towards accountability, oversight, and efficiency in the distribution of tax benefits for federal revitalization programs.

Policy administrators need timely, accurate data in order to measure their own performance and meet the standards set by the Administration and Congress. In March 2004, a GAO report warned that “the lack of tax benefit data limits the ability of HUD and USDA to administer and evaluate the programs.”²⁴ Indeed, the GAO reports that the IRS does not collect the information necessary to “identify the communities in which [tax credits] were used.” Nor can the “IRS data ... distinguish between” the different employer tax credit programs. With only partial information, our attempts to improve upon the previous EZ/EC/RC policies are handicapped.

²³ Office of Management and Budget: Analytical Perspectives: The Budget of the United States Government, Fiscal Year 2006, “Table 19-2 Corporate and Individual Income Tax Revenue Loss Estimates for Tax Expenditures” Page 320.

²⁴ *Federal Revitalization Programs Are Being Implemented, but Data on the Use of Tax Benefits Are Limited*. GAO-04-306. Washington, D.C.: GAO, 2004.

Conclusion

Tax incentives are not silver bullets. While tax incentives can play a role in the economic revitalization of a community, simply encouraging businesses to hire through tax breaks does not ensure that there is a skilled and drug-free workforce with access to basic health care, transportation to their jobs, and the ability to feed a family on their take home wages after working 40 hours a week. The Gulf Region was mired in poverty well before Hurricane Katrina—and it would be especially tragic for policymakers to respond to this disaster with a policy strategy that has already failed.

To the extent that tax incentives are intended to help middle class and working class residents of the Go Zone, these tax incentives must be refundable credits. But tax incentives alone will not empower the Gulf Coast residents to revitalize their communities. When communities have access to flexible grant funding they can leverage these funds and build the private-public partnerships that are necessary to make opportunity a reality. The EZ/EC policy was not perfect—but it can serve as the inspiration for a better and even more effective policy. The GO Zone is a big step in the wrong direction, promising the Gulf Coast more of what has failed in RCs across the country. America has done better and deserves better than the GO Zone.

APPENDIX A: Legislative History of the EZ/EC/RC Initiative

The idea of stimulating poor areas by bringing them business “has been around since the 1980s.”²⁵ Conservatives like former HUD Secretary and Congressman Jack Kemp first called these areas “enterprise zones” and focused on “reduc[ing] inner-city taxes and bureaucracy.” Despite the enthusiasm of Kemp and other conservatives, enterprise zones gained no federal traction during the Reagan and Bush Administrations. In 1987, Congress authorized the creation of 100 enterprise zones (PL 100-242), “but with no federal tax breaks behind them, and only \$1 million a year for expenses, the program never got started.”²⁶

In his first year in office, President Clinton redefined federal revitalization policy by proposing “empowerment zones” and “shifting the emphasis to tax incentives and social service grants.”²⁷ This was a departure from the conservative model of tax rate deductions and systematic deregulation as sufficient to spur economic growth.

Between 1995 and 2000, Congressional opposition curtailed the Clinton Administration’s ability to develop (and fund) the initiative strictly according to its policy preferences. Yet by early 1998, the Department of Health and Human Services highlighted the emerging successes of the Round I EZs and ECs, in advocating for funding for the Round II EZs:

Over \$4 billion in private investment leveraged in EZs and ECs, nearly 20,000 jobs created. Nearly 45,000 EZ/EC residents have job training and education opportunities. Over 12,000 housing units constructed or rehabilitated as affordable housing units for EZ/EC residents. Over 350 programs designed at the grass-roots to address public safety, infrastructure, and environmental clean-up needs. Over 52,000 children, youth, and adults participate in family-rebuilding programs to help overcome their challenges and enhance their development potential.²⁸

As impressive as the statistics are, none of the program rounds after Round I were funded with the flexibility and support envisioned by the Administration. White House efforts to enlarge the roster of EZ/ECs with Round III required the creation of a third program—the Renewal Communities—signed into law in December 2000.

With the RC initiative—first proposed by former Congressman J.C. Watts (R-OK)—conservative “leaders created a competing federal program to test their belief that tax breaks work better than grants.”²⁹ Indeed, the RCs “turned the focus back to tax and regulatory relief.”³⁰

²⁵ Ibid.

²⁶ David Nather, “New Answer on Urban Renewal: ‘Opportunity Zones,’” *Congressional Quarterly Weekly*, November 27, 2004, p.2811

²⁷ Nather, “Empowerment Zones,” p.2809.

²⁸ Letter from Sec. Donna Shalala to Vice President Albert Gore, Jr. and Speaker Newt Gingrich. March 31, 1998. Accessed Sept. 19, 2005. Available at <http://www.hud.gov/ez98ltrs.cfm>

²⁹ Derrick DePledge, “Plan to stop urban zone grants not based on data,” Gannett News Service, May 29, 2002.

³⁰ Nather, “Empowerment Zones,” 2809.

1993-1996: The Omnibus Budget Reconciliation Act of 1993

The Empowerment Zone/Enterprise Communities (EZ/EC) initiative was created as part of the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993). To address “the economic plight of inner cities and poor rural areas,” the Clinton Administration developed a two-pronged approach pairing targeted tax incentives for employers and businesses, on one hand, with federal grants for locally-directed community programs, on the other. Indeed, “the Clinton Administration identified “flexible grant funding [as] critical to the core concept and mission of the EZ/EC initiative.”³¹ This was based on an understanding that employer tax credits and business tax breaks can play a role in community revitalization but encouraging businesses to hire through tax breaks does not ensure that there is a skilled and drug-free workforce, with access to basic health care, transportation to the jobs, and the ability to feed a family on their take home wages after working 40 hours a week.

State and local governments nominated areas for EZ/EC designation in an application process administered jointly by Health and Human Services, Housing and Urban Development, and the U.S. Department of Agriculture. Over 500 nominations were received. Of these, nine EZs (six urban and three rural) and 95 ECs (65 urban and 30 rural) were selected through a rigorous application process. The most important elements were the creation of an executive board or leadership structure, public meetings to discuss the detailed proposals within each program area, letters of support from state and local officials, service providers, and securing funding from public and private sources. This application informed the vision plan of the area initiative if selected.³²

Each of the six urban EZs was awarded \$100 million in block grants, for use during the 10-year life of the program. Each of the three rural EZs was awarded \$40 million in block grants, for use during the 10-year life of the program. These Round I EZs and ECs were funded through Title XX Social Service Block Grants (SSBG).

The Department of Health and Human Services (HHS) typically funds state governments for social service activities through SSBG allocations “based on an allotment formula specified in Title XX of the Social Security Act.” With a one-time appropriation of \$1 billion to HHS, the 10-year funding commitment was established. While EZs and ECs interacted with HHS and received funding through their respective states, HHS did not administer the program nor was HHS responsible for rule-making. While HHS functioned in this financial role, HUD administered the urban EZs and ECs and the USDA administered the rural EZs and ECs.

³¹ Letter from Sec. Donna Shalala to Vice President Albert Gore, Jr. and Speaker Newt Gingrich. March 31, 1998. Accessed Sept. 19, 2005. Available at <http://www.hud.gov/ez98ltrs.cfm>

³² “An Analysis of Presidential Preferences in the Distribution of Empowerment Zones and Enterprise Communities,” *Public Administration Review*, September/October 2003 Vol.63, No.5, pg.562-572

With Congressional approval, the Clinton Administration also designated four Enhanced Enterprise Communities (EECs) and two Supplemental Empowerment Zones (SEZs). These six designees are considered part of Round I, although these selections occurred after the first EZ and EC designations. The EEC and SEZ designations sought to award an intermediate level of funding for applications of merit that did not win EZ status.

The four EECs received a \$50 million package—\$22 million in Economic Development Initiative grants (EDI) from HUD and \$2.95 million in HHS Title XX grants—in total, \$25 million in grants. \$25 million in HUD Section 108 loan dollars were offered to match the grants.³³ The two SEZs were also eligible for a similar mix of federal grants and loans.

The \$100 million block grant (compared to \$3 million) is an obvious advantage of the Round I EZs compared to the ECs. In addition to the block grants, the Round I EZs offered three tax incentives:

First, the EZ wage credit offered a 20 percent wage credit for the first \$15,000 of wages paid to an EZ resident who works in the EZ. The maximum value of this wage credit is \$3,000—but an employer can claim the benefit for as many employees as are eligible and there is no ceiling on the total dollars in wage credits that an employer can claim each year.

Second, EZ businesses were eligible for an additional \$20,000 in section 179 depreciation expensing for qualifying zone facilities.

Third, certain construction and rehabilitation projects were eligible for tax-exempt bond financing, though there were maximum limits on the total bond financing issued by state and local governments in each zone. The Joint Committee on Taxation estimated that the tax incentives for these first EZs, created by Congress in 1993, would cost \$2.5 billion over five years.

The EZ/EC Economic opportunity programs include Workforce Development, Business Assistance, Access to Capital and Credit, and Tax Incentives Utilization Plans.

³³ Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. It offers to local governments “a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.” These federally guaranteed loans allow communities to pursue larger projects in part, by “providing the initial resources or simply the confidence that private firms and individuals may need to invest in distressed areas.” Local governments “must pledge their current and future CDBG allocations to cover the loan amount as security for the loan.” To date, there has been no default under Section 108 resulting in a repayment by HUD. Source: Dept. of Housing and Urban Development, “Section 108 Loan Guarantee Program Introduction,” <http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/index.cfm> (accessed September 27, 2005).

Workforce Development: Workforce development programs include job counseling, skills training, and job match programs. EZs and ECs encompassed neighborhoods with poverty rates at or exceeding 35 percent. EZ and EC programs prioritized service delivery to TANF recipients, in keeping with the welfare reform requirements. Many EZ/EC residents had little if any work experience. Significant resources were devoted towards “job preparedness,” as a preliminary step towards more specific skills training.

ECs and EZs consistently sought to deliver services to the most marginal labor market participants and non-participants, including ex-offenders, youth, the homeless, and those recovering from substance abuse. Consequently, many of these EZ/EC residents entered entry-level positions paying at or close to the minimum wage.

Several EZs and ECs committed to only refer and train residents for “family wage” or “living wage” jobs.³⁴ The narrow timeframe for funds availability hampered the ability to create multi-year or year-long training program. Additionally, the residents’ educational attainment levels (e.g., the Detroit EZ had a 40 percent high school dropout rate) limited the practicality of developing computer skills programs as workforce development programs—though these programs were remarkably successful when paired to basic training and education.

Business Assistance: Business assistance, as distinct from access to capital and credit, often focused on downtown “main street” revitalization projects and the financing and development of commercial real estate. Not every EZ/EC focused on commercial real estate, but when and where these projects did occur, they rivaled the infrastructure projects as being among the most expensive. EZs and ECs were successful in leveraging the funds to finance these projects.

The two models of commercial development might be described as the “anchor” model and the “incubator” model. “Anchor” projects involve the development of a site that will house a major employer. Incubators, in contrast, are sites developed with the purpose of providing shorter-term occupancy to start-ups. These projects, to a greater extent than the anchors, required long-term planning. ECs and EZs with early conceptions of the focus areas incubator or science/technology “park” and the desired location could harvest positive results before the conclusion of the 10-year initiative.

In the northeast and Midwest, some ECs and EZs sought to convert old industrial spaces to new projects like business “incubators,” repositioning their local economies in the process. In the Akron EC, for example, the Industrial Incubator, located in the renovated BF Goodrich Factory Space (an anchor during a previous economic era), houses 33 businesses and “in the past ten years, 63 businesses have graduated from the Incubator.” With total investment approaching \$4 million, over 870 jobs have been produced.³⁵

³⁴ The Burlington EC defined quality jobs as “those that pay a decent wage and that provide workers with opportunities for advancement and to influence the work environment. ..[our] training programs maintain an emphasis on equal access and justice.” (Burlington 2003, p.1-2)

³⁵ Akron, Ohio Enterprise Community Annual Report (2005), 2.

On the micro-level, business assistance took the form of technical and financial assistance to micro-businesses, local merchants and entrepreneurs. A number of EZs and ECs developed programs to support local businesses bidding for federal contracts. Nearly all EZs and ECs that offered business assistance programs offered entrepreneurship and business owner training.

Ultimately, it should be remembered that business ownership among EZ and EC residents is limited. For many, “the imminence of welfare reform redirected the initial participants’ energies to finding immediate jobs rather than taking the time to develop businesses.”³⁶

Access to Capital and Credit: Access to capital and credit addresses the challenges that EZ/EC families and businesses face in seeking financing. Financial literacy programs—targeting youth and adults—overlap both the “access” and “housing” categories. Like many EZs and ECs, the Burlington, Vt. EC focused on insuring that “every resident has access to basic banking services at an affordable price.”³⁷

1996: The Small Business Job Protection Act of 1996

Two policies profoundly shaped the course of the EZ/EC initiative during this middle period—the minimum wage increases and welfare reform. It should not be assumed that tax policies crafted during this specific time period were intended to endure indefinitely. Effective October 1, 1996, the federal minimum wage became \$4.75 (up from \$4.25). Effective September 1, 1997, the federal minimum wage was lifted to \$5.15.

The Small Business Job Protection Act of 1996 offered the Work Opportunity Tax Credit (WOTC) to businesses in EZs and ECs. Like the EZ wage credit, the WOTC is an employer-side credit. The WOTC applies to specific groups of people—such as veterans, high-risk youth, and food stamp recipients—that have high unemployment rates or other special employment needs. Congressman Amory Houghton (R-N.Y.) authored the legislation, articulating the conservative argument that the wage credit was necessary for a small businesses to smoothly adjust to the federal minimum wage increases:

For the businesses, what it does is help those businesses that are going to be having an increase in the minimum wage to absorb the cost. As a matter of fact, if you hire an individual, the arithmetic works out that you, in terms of the total 2-year period which you will be hiring this individual and having him work in your establishment, that the cost will be less than the minimum wage is now because of the incentive which the Government gives.³⁸

The federal minimum wage has not been increased in eight years and it is not inflation-adjusted. The \$5.15 minimum wage in 1997 was actually \$5.03 in 1996 dollars. And eight years later, that \$5.15 is worth only \$4.15 in 1996 dollars. The WOTC policy was intended for a rising wage environment and was not intended for an economy with a declining real minimum wage.

³⁶ Seattle, Washington Enterprise Community Annual Report (2005), 5.

³⁷ Burlington, Vermont Enterprise Community Annual Report (2003), 1.

³⁸ 142 Cong. Rec. H445 (daily ed. May 22,1996) (Statement of Rep. Houghton).

1997-1999: The Taxpayer Relief Act of 1997, The Empowerment Zone Enhancement Act of 1998, and the Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY 1999

The Taxpayer Relief Act of 1997 (TRA 1997) authorized the designation of 20 new EZs, 15 urban and 5 rural. These Round II EZs received allocations from HUD block grants, rather than the Title XX grants. The legislation brought a number of changes to the set of tax policies.

On the employer credit side, Round II EZs were originally ineligible for the EZ wage credits. TRA 1997 did establish a new employer tax credit called the Welfare-to-Work Tax Credit (WtW). An employer could claim this credit for two years. In the first year, the employer could claim up a tax credit of up to \$3,500 for each employee. In the second year, the maximum increased to \$5,000. There is no limit on the number of employees for whom an employer can claim wage credits. And the In Round I EZs, then, the WOTC, the EZ wage credit, and the WtW were available. An employer could not claim all three credits for the same employee. If an employer claims the WtW credit for an employee, then the WOTC and EZ wage credit are both off-limits.

TRA 1997 adjusted EZ/EC tax policy with the three capital-side tax deductions. First, Round II EZs were eligible for an additional \$20,000 in section 179 depreciation expensing. Second, these Round II EZs faced fewer restrictions (state-wide limits) on bond financing. Third, the Environmental Cleanup Cost Deduction (often called the Brownfields Tax Incentive) provided businesses with an incentive to clean up certain sites that are contaminated, or perceived to be contaminated, with hazardous substances. A business can elect to deduct qualified environmental cleanup costs in the tax year the cost is paid or incurred.

TRA 1997 was followed by the Empowerment Zone Enhancement Act of 1998 (EZE 1998). The Round II EZs were authorized by TRA 1997 and funded by EZE 1998. Proposed levels of funding for the EZ/EC Initiative included \$1.7 billion in grants over a 10-year period—\$1.5 billion for the urban zones and \$0.2 billion for the rural zones. Round II Zones, like Round I Zones, were eligible for \$100 million in funds for a 10-year period. Unlike the Round I Zones, the Round II Zones would depend upon annual Congressional appropriations for their funding. Eight years into the program, some of the Round II EZs have received between \$20 million and \$35 million. At this point, they should have received \$70 million—the equivalent of \$10 million per year for seven years (1999-2005).

An additional 20 rural ECs were included in the Omnibus Consolidated and Emergency Supplemental Appropriations Act for FY 1999.

2000: The Community Renewal Tax Relief Act of 2000

The Community Renewal Tax Relief Act of 2000 (CRTRA 2000), signed by President Clinton in December 2000, marked a compromise between the President and the Congressional leadership. In October, the House had already produced “a package of business tax breaks sought...to compensate for the higher minimum wage: higher deductions for business meals, repeal of occupational taxes related to distilled spirits and wine and extension of a tax credit for businesses that hire certain employee groups.”³⁹

In the end, both President Clinton and the leadership on the Hill won some of the proposals they put forth. The Administration won the extension of the Empowerment Zone (EZ)—but not the Enterprise Community (EC) programs—through December 2009. A third round of EZs would bring the total to 40—although the prospects for future funding were unclear. CRTRA 2000 also created the New Markets Tax Credits (NMTCs), a tax policy tool proposed by the Clinton Administration. The NMTCs allow equity investors in qualified Community Development Entities (CDEs) to “claim up to \$15 billion in investments over seven years.”⁴⁰

Conservatives in Congress won the creation of the new Renewal Community (RC) program. RCs were first proposed by Representative J.C. Watts (R-OK) as part of the “Save Our Children: The American Community Renewal Act of 1996” (H.R. 3467). This bill included “several controversial provisions dealing with school vouchers, low-income educational opportunity scholarships, and family development accounts.”⁴¹

The RC selection criteria differed from the EZ/EC criteria. While the EZ/EC program designations “were based on the quality of the areas ‘strategic plans,’ the areas having [already] met minimum thresholds for poverty and unemployment,” the RC program required applicants to

submit a written course of action in which the state and local governments promised to take at least four of the following governmental actions within the nominated area: (1) a reduction of tax rates or fees; (2) an increase in the level of efficiency of local services; (3) crime reduction strategies; (4) actions to remove or streamline governmental requirements; (5) involvement by private entities and community groups, such as to provide jobs and job training and financial assistance; and, (6) the gift (or sale below fair market value) of surplus realty by the state or local government to community organizations or private companies.⁴²

Unlike the EZs and ECs, the RCs did not include grant allocations for community development programs. A number of the tax breaks first implemented as part of the RC program were applied to the EZs under the Bush Administration (Table 1). Qualified Zone Academy Bonds (QZABs) allow state or local governments to issue bonds at 0 percent interest cost to them to finance public school programs with private business partnerships. Private businesses must contribute money, equipment, or services equal to 10 percent of bond proceeds.

³⁹ Curt Anderson, “Clinton, Republicans Near Tax Deal,” Associated Press, October 26, 2000.

⁴⁰ Nather, *New Answer*, 2811.

⁴¹ CRS Report: Renewal Communities Initiative, p.2

⁴² CRS Report: Renewal Communities Initiative, p.3-4.

Two additional tax breaks are the non-recognition of gain on sale of EZ Assets (EZA) and the partial exclusion of gain on sale of EZ stock. The first is essentially a “zero percent capital gains tax.” It provides that capital gain on EZ Assets (EZA) (stock, partnership interests and business property) of an Enterprise Zone Business held for more than one year is not recognized (and is rolled over) if replacement EZA are acquired within 60 days. The second allows exclusion of 60 percent of the gain on sale of small business stock of a C Corporation which is an Enterprise Zone Business located in an EZ if the stock is held for at least five years. The Joint Tax Committee estimated that the tax benefits for the RCs and a new round of EZs created in 2000 would cost \$3.9 billion over five years.

APPENDIX B: Additional Tables

**Table 3: Statistics Related to Workforce development programs (WDP)
in the Round I EZs, 1995-2004 (2004 dollars)**⁴³

	Number of WDP Receiving Federal Grants	Federal Grants	Total Jobs Created	Federal Dollars Per Job	Job Cost Rank
Atlanta	1	\$496,000	75	\$6,613	11
Baltimore	10	\$36,523,271	7,398	\$4,937	9
Boston EEC	15	\$22,939,175	3,068	\$7,477	12
Camden	4	\$38,440	3	\$12,813	13
Chicago	50	\$19,233,855	4,148	\$4,637	8
Cleveland EEC	4	\$7,323,311	5,485	\$1,335	3
D.C.	3	\$634,396	1,634	\$388	1
Detroit	3	\$5,535,360	352	\$15,725	14
Houston	8	\$40,202,060	19,023	\$2,113	5
Kansas City	9	\$3,333,285	1,918	\$1,738	4
L.A.	5	\$12,963,215	11,444	\$1,133	2
New York	23	\$9,004,804	1,738	\$5,181	10
Oakland	5	\$3,415,529	843	\$4,052	7
Philadelphia	7	\$780,372	234	\$3,335	6
TOTAL	147	\$162,423,073	57,363	\$2,831 (mean)	

Source: Annual reports submitted to HUD by empowerment zones

**Table 4: Statistics Related to Workforce development programs (WDP)
in the Round II EZs, 1998-2004 (2004 dollars)**

	Number of WDP Receiving Federal Grants	Federal Grants	Total Jobs Created	Federal Grant Dollars Per Job	Job Cost Rank
Boston	15	\$22,939,175	3,068	\$7,477	10
Cincinnati	22	\$15,820,624	751	\$21,066	14
Columbia, S.C.	17	\$12,585,606	1,152	\$10,925	13
Columbus	5	\$3,458,186	6,773	\$510	1
Cumberland County, NJ	9	\$1,655,002	468	\$3,536	6
El Paso	15	\$6,560,760	1,280	\$5,126	7
Gary, IN	13	\$11,168,806	1,064	\$10,497	12
Huntington, WV-Ironton, OH	8	\$867,134	329	\$2,636	5
Knoxville	3	\$3,902,551	513	\$7,607	11
Miami-Dade County	12	\$3,231,003	3,530	\$915	2
Minneapolis	17	\$33,302,570	1,381	\$24,115	15
New Haven	33	\$15,011,298	2,601	\$5,771	8
Norfolk-Portsmouth, VA	7	\$2,926,993	1,392	\$2,103	4
Santa Ana	9	\$1,248,547	1,149	\$1,087	3
St. Louis-East St. Louis	7	\$2,176,716	298	\$7,304	9
TOTAL	192	\$136,854,971	25,749	\$5,315	

Source: Annual reports submitted to HUD by empowerment zones

⁴³ Although a number of Round I EZ workforce development programs will continue through 2009, the original block grants were intended to fund a 10-year cycle of activities. Because this 10-year period has elapsed, the full value of the block grants is included in these figures—even though some of these funds have not been spent but are being reserved for use between now and 2009. Funds from non-EZ/EC sources were adjusted for inflation based on the year in which the funded activity began in earnest. If funds were “won” in 2000 and the activity was planned in 2000—but did actually begin until 2002—then the funds are indexed for 2002.

**Table 5: Statistics Related to the Commercial Revitalization Deduction (CRD)
in the RCs, 2002-2004 (2004 dollars)**

	Total Qualified Revitalization Expenditures Allocated to Businesses	Total CRDs Claimed by Businesses	CRDs as a share of QREs	Estimated Number of Jobs Created for RC residents due to CRDs	Cost in Federal Dollars per Job Created	Job Cost Rank
Atlanta, GA	\$1	\$0	0%	0	---	--
Buffalo, NY	\$31,168,988	\$3,150,000	10%	0	N/A	21
Burlington, VT	\$1,263,481	\$218,134	17%	0	N/A	12
Camden, NJ	\$0	\$0	N/A	0	---	--
Central Louisiana	\$22,982,255	\$0	0%	117	\$196,430	7
Charleston, SC	\$12,600,000	\$525,000	4%	0	N/A	17
Chattanooga, TN	\$0	\$0	N/A	0	---	--
Chicago, IL	\$2	\$2	100%	2	\$1	--
Corpus Christi, TX	\$0	\$0	N/A	0	---	--
Detroit, MI	\$10,000,000	\$10,000,000	100%	250	\$40,000	5
Eastern Kentucky	\$7,570,043	\$1,514,008	20%	113	\$13,398	2
El Paso, TX	\$2,362,500	\$401,625	17%	0	N/A	16
Flint, MI	\$9,052,085	\$201,644	2%	94	\$2,145	1
Greene-Sumter County, AL	\$512,853	\$189,000	37%	0	N/A	11
Hamilton, OH	\$0	\$0	N/A	0	---	--
Jamestown, NY	\$0	\$0	N/A	0	---	--
Lawrence, MA	\$669,500	\$133,900	20%	0	N/A	10
Los Angeles, CA	\$539,685	\$321,547	60%	0	N/A	13
Lowell, MA	\$7,905,112	\$2,106,679	27%	35	\$60,191	6
Memphis, TN	\$36,166,569	\$10,132,500	28%	365	\$27,760	3
Milwaukee, WI	\$36,960,000	\$376,030	1%	0	N/A	15
Mobile, AL	\$11,944,749	\$12,301	0%	0	N/A	9
New Orleans, LA	\$7,297,500	\$0	0%	0	---	--
Newark, NJ	\$9,198,525	\$0	0%	0	---	--
Niagara Falls, NY	\$662,025	\$0	0%	0	---	--
Northern Louisiana	\$26,727,240	\$12,359,743	46%	321	\$38,504	4
Orange Cove, CA	\$0	\$0	N/A	0	---	--
Ouachita Parish, LA	\$26,727,500	\$368,879	1%	0	N/A	14
Parlier, CA	\$0	\$0	N/A	0	---	--
Philadelphia, PA	\$13,836,000	\$556,444	4%	0	N/A	18
Rochester, NY	\$46,946,939	\$46,946,940	100%	60	\$782,449	8
San Diego, CA	\$8,400,000	\$1,837,500	22%	0	N/A	20
San Francisco, CA	\$0	\$0	N/A	0	---	--
Schenectady, NY	\$0	\$0	N/A	0	---	--
Southern Alabama	\$1,850,253	\$11,927,400	645%	0	N/A	22
Tacoma, WA	\$12,600,000	\$0	0%	0	---	--
Turtle Mountain Band of Chippewa, ND	\$115,500	\$0	0%	0	---	--
West Central Mississippi	\$23,945,914	\$623,389	3%	0	N/A	19
Yakima, WA	\$12,600,000	\$12,600,000	100%	0	N/A	23
Youngstown, OH	\$0	\$0	N/A	0	---	--
TOTAL	\$382,605,219	\$116,502,665	30%	1,357	\$85,853 (mean)	

Source: Annual Reports submitted to HUD by the renewal communities.

Table 6: Statistics Related to the WOTC in the RCs, 2002-2004 (2004 dollars)*

	Total Federal Tax Expenditure (WOTC)	Estimated Number of Jobs Created for qualifying RC residents due to the WOTC	Cost in Federal dollars per job created for RC residents	Job Cost Rank
Charleston, SC	\$472,500	300	\$1,575	4
Chicago, IL	\$2	2	\$1	--
Corpus Christi, TX	\$15,455	5	\$3,091	11
Detroit, MI	\$96,000	40	\$2,400	9
Eastern Kentucky	\$41,232	19	\$2,170	7
Flint, MI	\$20,400	107	\$191	2
Greene-Sumter County, AL	\$16,275	3	\$5,425	15
Hamilton, OH	\$15,750	5	\$3,150	12
Jamestown, NY	\$21,000	0	N/A	--
Lawrence, MA	\$151,350	65	\$2,328	8
Lowell, MA	\$266,200	50	\$5,324	14
Memphis, TN	\$6,384,000	600	\$10,640	16
Mobile, AL	\$15,750	10	\$1,575	5
Newark, NJ	\$12,600	1	\$12,600	17
Niagara Falls, NY	\$168,850	50	\$3,377	13
Parlier, CA	\$210,420	121	\$1,739	6
Philadelphia, PA	\$124,560	50	\$2,491	10
Rochester, NY	\$8,711	13	\$670	3
Southern Alabama	\$5,150	175	\$29	1
Turtle Mountain Band of Chippewa, ND	\$21,000	0	N/A	--
TOTAL	\$8,067,205	1,616	\$4,992 (mean)	

Source: Annual Reports submitted to HUD by the renewal communities.

*Only those RCs reporting estimates of jobs created, jobs retained, and/or the dollar value of the utilized WOTC were included. 20 of the 40 RCs are included here.

Table 7: Estimates of Jobs Created/Retained due to the RC wage credit, 2002-2004 (2004 dollars)*

	Jobs Created in the RC due to the RC wage credit	Jobs Retained in the RC due to the RC wage credit	Jobs Created or Retained in the RC due to the RC wage credit	Estimated Federal Tax Expenditure	Federal Tax Dollars per Job Created/Retained	Job Cost Rank
Buffalo, NY	0	10	10	\$12,600	\$1,260	4
Burlington, VT	0	0	0	\$64,779	N/A	24
Chattanooga, TN	0	200	200	\$420,000	\$2,100	12
Chicago, IL	4	4	8	\$14,499	\$1,812	10
Corpus Christi, TX	0	0	0	\$19,650	N/A	23
Detroit, MI	200	200	400	\$600,000	\$1,500	5
Eastern Kentucky	21	1,206	1,227	\$865,449	\$705	3
Flint, MI	100	100	200	\$30,000	\$150	1
Greene-Sumter County, AL	9	6	15	\$131,250	\$8,750	17
Hamilton, OH	10	20	30	\$157,500	\$5,250	16
Jamestown, NY	2	5	7	\$1,596	\$228	2
Lawrence, MA	100	90	190	\$436,600	\$2,298	13
Lowell, MA	0	100	100	\$1,195,450	\$11,955	18
Memphis, TN	300	800	1100	\$23,025,000	\$20,932	21
Newark, NJ	1	1	2	\$5,250	\$2,625	14
Niagara Falls, NY	45	285	330	\$517,350	\$1,568	6
Orange Cove, CA	310	65	375	\$1,090,500	\$2,908	15
Ouachita Parish, LA	0	0	0	\$16,871,400	N/A	25
Parlier, CA	10	111	121	\$210,420	\$1,739	9
Philadelphia, PA	20	20	40	\$63,000	\$1,575	7
Rochester, NY	110	161	161	\$517,718	\$1,910	11
San Diego, CA	175	250	425	\$735,000	\$1,729	8
Southern Alabama	5	120	125	\$1,837,500	\$14,700	19
Turtle Mountain Band of Chippewa, ND	5	11	16	\$263,000	\$16,438	20
West Central Mississippi	0	2	2	\$732,793	\$366,396	22
TOTAL	1,427	3,767	5,084	\$49,818,304	\$ 9,799 (mean)	

Source: Annual reports submitted to HUD by the renewal communities.

*Only those RCs reporting estimates of jobs created, jobs retained, and/or the dollar value of the utilized RC wage credits were included 25 of the 40 RCs are included here.

**Table 8: Statistics Related to the Economic Opportunity Programs
in the ECs, 1995-2004 (2004 dollars)**

	Federal Grants to Economic Opportunity Programs	Total Jobs Created or Retained†	Fed. Grant Dollars Per Job	Job Cost Rank
Akron, OH	\$5,377,006	11,981	\$449	4
Albany, GA	\$4,803,634	1,495	\$3,213	21
Albuquerque, NM	\$4,091,256	473	\$8,650	36
Birmingham, AL	\$1,171,842	1,747	\$671	8
Bridgeport, RI	\$3,166,708	1,163	\$2,723	19
Buffalo, NY*	\$4,894,564	644	\$7,600	35
Burlington, VT*	\$9,930,575	876	\$11,336	38
Charleston, SC*	\$1,296,699	6,707	\$193	2
Charlotte, NC	\$1,822,366	318	\$5,731	30
Clark County (Las Vegas)	\$1,827,320	448	\$4,079	26
Dallas, TX	\$6,842,547	4,457	\$1,535	13
Denver, CO	\$50,057,737	3,265	\$15,332	43
Des Moines, IA	\$4,931,372	181	\$27,245	46
East St. Louis, IL	\$31,796,897	247	\$128,732	50
Flint, MI*	\$63,594,610	6,728	\$9,452	37
Harrisburg, PA	\$10,293,618	3,384	\$3,042	20
Indianapolis, IN	\$4,230,060	173	\$24,451	45
Jackson, MS*	\$806,727	37	\$21,803	44
Huntington Park/L.A.*	\$478,640	15	\$31,909	47
Louisville, KY	\$13,692,559	2,294	\$5,969	32
Lowell, MA*	\$575,660	3,054	\$188	1
Manchester, NH	\$1,917,232	1,007	\$1,904	15
Memphis, TN*	\$1,687,673	25	\$67,507	49
Milwaukee, WI*	\$1,690,358	1,074	\$1,574	14
Muskegon, MI	\$420,405	893	\$471	6
Nashville, TN	\$2,500,460	426	\$5,870	31
New Orleans, LA*	\$8,689,107	6,897	\$1,260	12
Newark, NJ*	\$1,106,700	1,080	\$1,025	11
Newburgh/Kingston, NY	\$1,937,827	283	\$6,847	34
Ogden, UT	\$28,632,867	7,803	\$3,669	23
Oklahoma City, OK	\$4,195,856	1,123	\$3,736	24
Omaha, NE	\$52,918,664	215	\$246,133	51
Ouachita Parish, LA*	\$2,318,800	2,758	\$841	9
Phoenix, AZ	\$7,566,480	665	\$11,378	39
Pittsburgh, PA	\$514,600	873	\$589	7
Portland, OR	\$2,213,214	956	\$2,315	17
Providence, RI	\$2,827,979	594	\$4,761	27
Pulaski County, AR	\$1,694,888	3,685	\$460	5
Rochester, NY*	\$8,583,919	2,127	\$4,036	25
San Antonio, TX	\$10,711,974	3,320	\$3,226	22
San Diego, CA*	\$37,653,479	1,048	\$35,929	48
San Francisco, CA*	\$2,343,547	968	\$2,421	18
Seattle, WA	\$1,635,101	241	\$6,785	33
Springfield, IL	\$1,143,714	87	\$13,146	42
Springfield, MA	\$1,583,500	139	\$11,392	40
St. Louis, MO	\$6,405,670	1,123	\$5,704	29
St. Paul, MN	\$2,721,800	1,240	\$2,195	16
Tacoma, WA*	\$4,692,434	5,246	\$894	10
Tampa, FL	\$1,537,418	129	\$11,918	41
Waco, TX	\$1,820,718	331	\$5,501	28
Wilmington, DE	\$2,191,400	6,607	\$332	3
TOTAL	\$431,540,181	102,650	\$4,204 (mean)	

Source: Annual reports submitted to HUD by enterprise communities

* Sixteen ECs were subsequently designated as RCs.

**The Clark County (Las Vegas) EC had the median value (\$4,079) in federal grant dollars per job created, slightly less than the EC mean of \$4,204.

† Includes 52,664 new jobs created and 49,986 resident jobs retained.

Table 9: RC Wage Credit (WC), 2002-2004

	Number of Businesses Contacted Regarding WC	Number of Businesses Claiming WC	Take-up Rate (WC)	Rank
Atlanta, GA	1	0	0%	---
Buffalo, NY	2000	30	2%	20
Burlington, VT	1400	5	0%	26
Camden, NJ	850	0	0%	---
Central Louisiana	9730	0	0%	---
Charleston, SC	1000	6	1%	24
Chattanooga, TN	200	10	5%	15
Chicago, IL	10	3	30%	4
Corpus Christi, TX	1333	6	0%	25
Detroit, MI	3085	400	13%	9
Eastern Kentucky	3800	140	4%	16
El Paso, TX	0	0	N/A	---
Flint, MI	3782	100	3%	17
Greene-Sumter County, AL	80	40	50%	2
Hamilton, OH	500	100	20%	5
Jamestown, NY	25	9	36%	3
Lawrence, MA	1150	190	17%	8
Los Angeles, CA	2738	0	0%	---
Lowell, MA	1903	100	5%	14
Memphis, TN	8500	800	9%	11
Milwaukee, WI	4907	0	0%	---
Mobile, AL	1923	50	3%	18
New Orleans, LA	600	0	0%	---
Newark, NJ	5200	3	0%	27
Niagara Falls, NY	469	14	3%	19
Northern Louisiana	17768	0	0%	---
Orange Cove, CA	122	11	9%	12
Ouachita Parish, LA	4007	728	18%	7
Parlier, CA	129	26	20%	6
Philadelphia, PA	8990	65	1%	22
Rochester, NY	3623	40	1%	23
San Diego, CA	2100	1300	62%	1
San Francisco, CA	500	0	0%	---
Schenectady, NY	5	0	0%	---
Southern Alabama	500	50	10%	10
Tacoma, WA	308	0	0%	---
Turtle Mountain Band of Chippewa, ND	214	16	7%	13
West Central Mississippi	14,025	95	1%	21
Yakima, WA	300	0	0%	---
Youngstown, OH	3180	0	0%	---
TOTAL	110,957	4337	4%	

Source: Annual Reports submitted to HUD by the renewal communities.

Table 10: WOTC, 2002-2004

	Number of Businesses Contacted Regarding WOTC	Number of Businesses Claiming WOTC	Take-up Rate (WOTC)	Rank
Atlanta, GA	1	0	0%	---
Buffalo, NY	2000	0	0%	---
Burlington, VT	0	0	N/A	---
Camden, NJ	850	0	0%	---
Central Louisiana	9730	0	0%	---
Charleston, SC	1000	200	20%	4
Chattanooga, TN	200	0	0%	---
Chicago, IL	6	2	33%	2
Corpus Christi, TX	1183	20	2%	15
Detroit, MI	3085	20	1%	17
Eastern Kentucky	3800	79	2%	14
El Paso, TX	0	0	N/A	---
Flint, MI	3782	10	0%	---
Greene-Sumter County, AL	100	10	10%	9
Hamilton, OH	500	10	2%	16
Jamestown, NY	25	9	36%	1
Lawrence, MA	1150	33	3%	12
Los Angeles, CA	2738	0	0%	---
Lowell, MA	1903	100	5%	11
Memphis, TN	8500	1300	15%	6
Milwaukee, WI	3507	0	0%	---
Mobile, AL	45	5	11%	8
New Orleans, LA	600	0	0%	---
Newark, NJ	5200	5	0%	---
Niagara Falls, NY	469	12	3%	13
Northern Louisiana	17,768	0	0%	---
Orange Cove, CA	122	11	9%	10
Ouachita Parish, LA	4,007	0	0%	---
Parlier, CA	129	26	20%	5
Philadelphia, PA	8990	15	0%	---
Rochester, NY	3623	2	0%	---
San Diego, CA	0	0	N/A	---
San Francisco, CA	500	0	0%	---
Schenectady, NY	2	0	0%	---
Southern Alabama	500	75	15%	7
Tacoma, WA	308	0	0%	---
Turtle Mountain Band of Chippewa, ND	40	10	25%	3
West Central Mississippi	14025	6	0%	---
Yakima, WA	300	0	0%	---
Youngstown, OH	3180	0	0%	---
TOTAL	103,868	1964	2%	

Source: Annual Reports submitted to HUD by the renewal communities.

Table 11: Section 179 Deductions, 2002-2004 (2004 dollars)

	Number of Businesses Contacted Regarding Section 179 Deductions	Number of Businesses Claiming Section 179 Deductions	Take-up Rate (Sec. 179)	Estimated Total Tax Expenditure (2004 dollars)	Rank
Atlanta, GA	1	0	0%	\$0	---
Buffalo, NY	2,000	0	0%	\$0	---
Burlington, VT	0	0	N/A	\$0	---
Camden, NJ	850	0	0%	\$0	---
Central Louisiana	9,730	0	0%	\$0	---
Charleston, SC	1,000	0	0%	\$0	---
Chattanooga, TN	200	0	0%	\$0	---
Chicago, IL	6	2	33%	\$2	---
Corpus Christi, TX	0	0	N/A	\$0	---
Detroit, MI	3,085	210	7%	\$7,000,000	5
Eastern Kentucky	3,800	10	0%	\$107,525	15
El Paso, TX	0	0	N/A	\$0	---
Flint, MI	3,782	100	3%	\$350,000	8
Greene-Sumter County, AL	100	9	9%	\$63,000	4
Hamilton, OH	500	0	0%	\$0	---
Jamestown, NY	25	8	32%	\$22,575	2
Lawrence, MA	1,150	75	7%	\$31,300	6
Los Angeles, CA	2,738	0	0%	\$0	---
Lowell, MA	1,903	0	0%	\$0	---
Memphis, TN	8,500	70	1%	\$3,209,500	10
Milwaukee, WI	4,907	0	0%	\$0	---
Mobile, AL	45	3	7%	\$1	---
New Orleans, LA	600	0	0%	\$0	---
Newark, NJ	5,200	1	0%	\$5,000	17
Niagara Falls, NY	469	6	1%	\$219,100	11
Northern Louisiana	17,768	0	0%	\$0	---
Orange Cove, CA	0	0	N/A	\$0	---
Ouachita Parish, LA	4,007	182	5%	\$1,968,330	7
Parlier, CA	129	1	1%	\$15,750	12
Philadelphia, PA	8,990	9	0%	\$20,800	16
Rochester, NY	3,623	8	0%	\$173,440	14
San Diego, CA	2,100	1,100	52%	\$787,500	1
San Francisco, CA	500	0	0%	\$0	---
Schenectady, NY	2	0	0%	\$0	---
Southern Alabama	450	10	2%	\$262,500	9
Tacoma, WA	25	0	0%	\$0	---
Turtle Mountain Band of Chippewa, ND	120	10	25%	\$52,500	3
West Central Mississippi	14,025	70	0%	\$208,000	13
Yakima, WA	100	0	0%	\$0	---
Youngstown, OH	3,180	0	0%	\$0	---
TOTAL	105,610	1,884	2%	\$14,496,823	

Source: Annual Reports submitted to HUD by the renewal communities.

Table 12: Zero Percent Capital Gains Tax Rate, 2002-2004 (2004 dollars)

	Number of Businesses Contacted Regarding Zero Percent Capital Gains Tax Rate	Number of Businesses Claiming Zero Percent Capital Gains Tax Rate	Take-up Rate (Zero Percent Capital Gains Rate)	Estimated Total Tax Expenditure (2004 dollars)
Atlanta, GA	1	0	0%	0
Buffalo, NY	2,000	0	0%	\$0
Burlington, VT	0	0	N/A	\$0
Camden, NJ	0	0	N/A	\$0
Central Louisiana	9,730	0	0%	\$0
Charleston, SC	1,000	0	0%	\$0
Chattanooga, TN	200	0	0%	\$0
Chicago, IL	6	1	17%	\$2
Corpus Christi, TX	0	0	N/A	\$0
Detroit, MI	3,085	0	0%	\$0
Eastern Kentucky	3,800	0	0%	\$0
El Paso, TX	0	0	N/A	\$0
Flint, MI	3,782	0	0%	\$0
Greene-Sumter County, AL	68	0	0%	\$0
Hamilton, OH	500	0	0%	\$0
Jamestown, NY	25	1 ≤ X ≤ 25	4% ≤ X ≤ 100%	\$5,250
Lawrence, MA	90	0	0%	\$0
Los Angeles, CA	2,738	0	0%	\$0
Lowell, MA	1,903	0	0%	\$0
Memphis, TN	8,500	0	0%	\$0
Milwaukee, WI	4,907	0	0%	\$0
Mobile, AL	15	1	7%	\$1
New Orleans, LA	600	0	0%	\$0
Newark, NJ	5,200	0	0%	\$0
Niagara Falls, NY	469	0	0%	\$0
Northern Louisiana	17,768	0	0%	\$0
Orange Cove, CA	0	0	N/A	\$0
Ouachita Parish, LA	4,007	0	0%	\$0
Parlier, CA	0	0	N/A	\$0
Philadelphia, PA	8,990	0	0%	\$0
Rochester, NY	3,623	0	0%	\$0
San Diego, CA	2,100	0	0%	\$0
San Francisco, CA	500	0	0%	\$0
Schenectady, NY	2	0	0%	\$0
Southern Alabama	250	0	0%	\$0
Tacoma, WA	5	0	0%	\$0
Turtle Mountain Band of Chippewa, ND	80	0	0%	\$0
West Central Mississippi	14,025	0	0%	\$0
Yakima, WA	200	0	0%	\$0
Youngstown, OH	3,180	0	0%	\$0
TOTAL	103,349	3 ≤ X ≤ 27	0%	\$5,253

Source: Annual Reports submitted to HUD by the renewal communities.

Table 13: Comparison of Tax Incentive Utilization Rates (WC, WOTC, Section 179 Deduction, & Zero Pct Capital Gains Rate), 2002-2004

	Number of Businesses Contacted Regarding WC	Take-up Rate (WC)	Number of Businesses Contacted Regarding WOTC	Take-up Rate (WOTC)	Number of Businesses Contacted Regarding Sec. 179 Deductions	Take-up Rate (Sec. 179)	Number of Businesses Contacted Regarding Zero Percent Capital Gains Tax Rate	Take-up Rate (Zero Percent Capital Gains Rate)
Atlanta, GA	1	0%	1	0%	1	0%	1	0%
Buffalo, NY	2000	2%	2000	0%	2,000	0%	2,000	0%
Burlington, VT	1400	0%	0	N/A	0	N/A	0	N/A
Camden, NJ	850	0%	850	0%	850	0%	0	N/A
Central Louisiana	9730	0%	9730	0%	9,730	0%	9,730	0%
Charleston, SC	1000	1%	1000	20%	1,000	0%	1,000	0%
Chattanooga, TN	200	5%	200	0%	200	0%	200	0%
Chicago, IL	10	30%	6	33%	6	33%	6	17%
Corpus Christi, TX	1333	0%	1183	2%	0	N/A	0	N/A
Detroit, MI	3085	13%	3085	1%	3,085	7%	3,085	0%
Eastern Kentucky	3800	4%	3800	2%	3,800	0%	3,800	0%
El Paso, TX	0	N/A	0	N/A	0	N/A	0	N/A
Flint, MI	3782	3%	3782	0%	3,782	3%	3,782	0%
Greene-Sumter County, AL	80	50%	100	10%	100	9%	68	0%
Hamilton, OH	500	20%	500	2%	500	0%	500	0%
Jamestown, NY	25	36%	25	36%	25	32%	25	4% ≤ X ≤ 100%
Lawrence, MA	1150	17%	1150	3%	1,150	7%	90	0%
Los Angeles, CA	2738	0%	2738	0%	2,738	0%	2,738	0%
Lowell, MA	1903	5%	1903	5%	1,903	0%	1,903	0%
Memphis, TN	8500	9%	8500	15%	8,500	1%	8,500	0%
Milwaukee, WI	4907	0%	3507	0%	4,907	0%	4,907	0%
Mobile, AL	1923	3%	45	11%	45	7%	15	7%
New Orleans, LA	600	0%	600	0%	600	0%	600	0%
Newark, NJ	5200	0%	5200	0%	5,200	0%	5,200	0%
Niagara Falls, NY	469	3%	469	3%	469	1%	469	0%
Northern Louisiana	17768	0%	17,768	0%	17,768	0%	17,768	0%
Orange Cove, CA	122	9%	122	9%	0	N/A	0	N/A
Ouachita Parish, LA	4007	18%	4,007	0%	4,007	5%	4,007	0%
Parlier, CA	129	20%	129	20%	129	1%	0	N/A
Philadelphia, PA	8990	1%	8990	0%	8,990	0%	8,990	0%
Rochester, NY	3623	1%	3623	0%	3,623	0%	3,623	0%
San Diego, CA	2100	62%	0	N/A	2,100	52%	2,100	0%
San Francisco, CA	500	0%	500	0%	500	0%	500	0%
Schenectady, NY	5	0%	2	0%	2	0%	2	0%

	Number of Businesses Contacted Regarding WC	Take-up Rate (WC)	Number of Businesses Contacted Regarding WOTC	Take-up Rate (WOTC)	Number of Businesses Contacted Regarding Sec. 179 Deductions	Take-up Rate (Sec. 179)	Number of Businesses Contacted Regarding Zero Percent Capital Gains Tax Rate	Take-up Rate (Zero Percent Capital Gains Rate)
Southern Alabama	500	10%	500	15%	450	2%	250	0%
Tacoma, WA	308	0%	308	0%	25	0%	5	0%
Turtle Mountain Band of Chippewa, ND	214	7%	40	25%	120	25%	80	0%
West Central Mississippi	14,025	1%	14025	0%	14,025	0%	14,025	0%
Yakima, WA	300	0%	300	0%	100	0%	200	0%
Youngstown, OH	3180	0%	3180	0%	3,180	0%	3,180	0%
TOTAL	110,957	4%	103,868	2%	105,610	2%	103,349	0%

Source: Annual Reports submitted to HUD by the renewal communities.

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