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Bill Analysis
Legislative Service Commission

H.B. 626
123rd General Assembly
(As Introduced)

Rep. Mottley

BILL SUMMARY

- Requires the Department of Development's annual enterprise zone report to include information about enterprise zone agreements that concern school district revenues.
- Requires the report to be sent to each member of the General Assembly and to the Legislative Service Commission by October 1 each year.

CONTENT AND OPERATION

Enterprise zone reports--current law

(sec. 5709.67)

The Director of Development must submit annual reports to the General Assembly regarding various aspects of locally established enterprise zones. Currently, the reports must include the cost to the state of enterprise zone incentives; the number of tax incentives provided or extended; the names of the subdivisions that have granted new enterprise zone incentive agreements; and the number of new employees hired as a result of the incentive agreements. The Director also must indicate in the report whether enterprise zone incentive agreements have resulted in a net increase in jobs throughout Ohio. (For a general summary of the enterprise zone law, see "Enterprise zones--background," below.)

Proposed changes in enterprise zone reports

The bill requires the Director of Development to include an additional item of information in the annual enterprise zone report: information on any enterprise zone agreement terms "concerning school district revenue" that are not required by law to be incorporated into an enterprise zone agreement. By law, enterprise zone agreements must contain certain terms (summarized below), but other so-called "side" agreements are allowed as long as they do not conflict with or undermine

the main agreement. The bill requires the Director to report on any such side agreements that concern school district revenue. Under current law, side agreements affecting school district revenue must be forwarded to the Director along with copies of the corresponding enterprise zone agreement.

The bill also specifies that the report is to be sent to each member of the General Assembly and the Director of the Legislative Service Commission, and that the report is to be sent by October 1 each year.

Enterprise zones--background

The enterprise zone law authorizes counties, townships, and municipal corporations to designate zones in which businesses may qualify for property tax exemptions and other incentives to encourage employment growth or retention. The zones do not necessarily have to be located in an area that is economically "distressed." But the property tax exemptions may be somewhat more generous within municipal corporations than in unincorporated areas.

The incentives that may be offered to businesses in an enterprise zone include the following:

- Property tax exemptions for up to ten years for real property and tangible personal property, including net increases in inventory;
- Exclusion of nonretail property in determining a business' value for corporation franchise tax purposes or in determining the extent to which a business' income is taxed by Ohio for corporation franchise or personal income tax purposes (applies only if the business employs zone residents or certain persons who are deemed to encounter various obstacles to employment);
- Governmental services and assistance provided directly by the subdivision.

Any property tax exemptions or other incentives granted to a business must be set forth in a written agreement. Several of the terms of the agreement are set forth in statute (sec. 5709.631), including the business' proposed investment in plant, equipment, and inventory; the estimated number of employees to be hired or retained; the estimated payroll of such employees; and conditions under which the incentives may be revoked. Other terms may be included in the agreement, as long as the additional terms do not conflict with or undermine the terms required by law.

School boards are authorized to approve any property tax exemptions that exempt more than 75% of the increased property value resulting from the agreement (in unincorporated areas, the threshold is 60% instead of 75%). A school board must be notified of any property tax exemption at least 14 days before the agreement is approved by the subdivision unless the school board has formally waived its right to be notified. A subdivision granting an enterprise zone agreement, or the business benefiting from the agreement, may be required to compensate a school district for the property tax revenue forgone because of the exemption. If an enterprise zone is located in a municipal corporation that imposes an income tax, and the annual payroll of new employees at a business' site is \$1 million or more, the local school board must be compensated for forgone property taxes (or at least agree to forgo compensation).

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	03-28-00	p. 1720

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