Bill Analysis

Jon P. Honeck *Legislative Service Commission*

H.B. 294

124th General Assembly
(As Introduced)

Reps. Metelsky, Schuring

BILL SUMMARY

? Removes the requirement that an enterprise that seeks to qualify for incentives under the Enterprise Zone Law through the "expansion" of an existing facility must make expenditures equal to at least 10% of the facility's market value before the expenditures, as determined for the purposes of local property taxation.

CONTENT AND OPERATION

Background law

Under existing law, not changed by the bill, municipal corporations and boards of county commissioners may enter into "incentive" agreements with enterprises to provide certain real or personal property tax abatements, or optional services and assistance, for an enterprise's facility located in an enterprise zone. An enterprise zone is an area that is designated by a municipal corporation's legislative authority or a board of county commissioners, that is then certified by the Director of Development, and that meets specified criteria for that certification generally showing that the area is economically depressed (see **COMMENT** 1).[1] The Director of Development generally has oversight of the Enterprise Zone Law (see **COMMENT** 2). (Secs. 5709.62, 5709.63, and 5709.632, not in the bill.)

Generally, under existing law, in order to enter into an incentive agreement with an enterprise, a municipal corporation's legislative authority or a board of county commissioners must find that the enterprise is qualified by financial

[1] Under certain specified circumstances, an enterprise zone does not have to meet specified economic distress criteria (e.g., if a zone is established for an enterprise that is relocating operations to it from out-of-state or if an enterprise that currently has no operations in the state establishes operations in the zone (sec. 5709.632(B)(1) and (3), not in the bill).

responsibility and business experience to create and preserve employment opportunities in an enterprise zone and to improve the economic climate of the political subdivisions in which the zone is located. A legislative authority or board that makes those findings may enter into an incentive agreement authorized by the Enterprise Zone Law if the enterprise agrees to undertake one of the following types of actions, as applicable, in return for certain incentives (secs. 5709.62(C), 5709.63(B), and 5709.632(C), not in the bill):

? To establish, *expand*, renovate, or occupy a facility and hire new employees, or preserve employment opportunities for existing employees;

? To remediate an environmentally contaminated facility, to spend an amount equal to at least 250% of the facility's pre-remediation value (as determined for the purposes of property taxation) in order to establish, *expand*, renovate, or occupy the remediated facility, and to hire new employees or preserve employment opportunities for existing employees at the remediated facility;

? To purchase and operate a large manufacturing facility that has ceased operation or announced its intention to do so.

Change proposed by the bill

Under existing law, an enterprise that wishes to qualify for an enterprise zone incentive by an agreement *to expand its facility* must make expenditures to add land, buildings, machinery, equipment, or other materials, except inventory, to the facility that equal at least 10% of the facility's market value before the expenditures, as determined for the purpose of local property taxation. The bill removes the requirement that the expansion expenditures that make those additions to a facility must be at least 10% of that market value. (Sec. 5709.61(E).)

COMMENT

1. Continuing law defines an "enterprise zone" as any of the following (sec. 5709.61(A)):

(a) An area with a single continuous boundary that is designated in a specified manner by the legislative authority of certain types of municipal corporations or by a board of county commissioners (see related secs. 5709.62 and 5709.63, not in the bill) and that is certified by the Director of Development as having a population of at least 4,000 according to the best and most recent data available to the Director and having at least two of the following characteristics:

- ? It is located in a municipal corporation defined by the United States Office of Management and Budget as a central city of a metropolitan statistical area.

- ? It is located in a county designated as being in the "Appalachian region" under the Appalachian Regional Development Act of 1965.

- ? Its average rate of unemployment, during the most recent 12-month period for which data are available, is equal to at least 125% of the average rate of unemployment for Ohio for the same period.

- ? There is a prevalence of commercial or industrial structures in the area that are vacant or demolished, or are vacant; the taxes charged on them are delinquent; and certification of the area as an enterprise zone would likely result in the reduction of the rate of vacant or demolished structures or the rate of tax delinquency in the area.

- ? The population of all census tracts in the area, according to the 1990 federal census, decreased by at least 10% between 1970 and 1990.

- ? At least 51% of the residents of the area have incomes of less than 80% of the median income of residents of the municipal corporation or municipal corporations in which the area is located, as determined in the same manner specified under Section 119(b) of the Housing and Community Development Act of 1974.

- ? The area contains structures previously used for industrial purposes but currently not so used due to age, obsolescence, deterioration, relocation of the former occupant's operations, or cessation of operations resulting from unfavorable economic conditions either generally or in a specific economic sector.

- ? It is located within one or more adjacent city, local, or exempted village school districts, the income-weighted tax capacity of each of which is less than 70% of the average of the income-weighted tax capacity of all city, local, or exempted village school districts in Ohio according to the most recent data available to the Director from the Department of Taxation.

(b) An area with a single continuous boundary that is designated in a specified manner by a board of county commissioners and that is certified by the Director of Development as (i) being located within a county that contains a population of 300,000 or less, (ii) having a population of at least 100,000 according to the best and most recent data available to the Director, and (iii) having at least two of the characteristics (other than the "central city" characteristic) listed above (see related sec. 5709.63, not in the bill).

(c) An area with a single continuous boundary that is designated in a specified manner by a legislative authority of a specified type of municipal corporation and that is certified by the Director of Development as having a population of at least 4,000, or an area with a single continuous boundary that is designated in a specified manner by a board of county commissioners and that is certified as having a population of at least 1,000, according to the best and most recent data available to the Director (see related sec. 5709.632, not in the bill).

2. Section 5709.67(A), not in the bill, generally requires the Director of Development (a) to administer the Enterprise Zone Law, (b) to adopt rules necessary to ensure that no zone is certified or remains certified unless it meets the applicable requirements listed in **COMMENT** 1 above, and (c) to perform other specified functions. The Tax Commissioner, however, must administer certain tax incentives provided under the Enterprise Zone Law and must adopt rules necessary to carry out that duty. Finally, the Director of Job and Family Services must administer a particular tax incentive under the Enterprise Zone Law and must adopt rules necessary to carry out that duty.

HISTORY

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