

Investment Projects

in High Unemployment Counties & Community Empowerment Zones

JLARC Staff 2018 Tax Preference Performance Review

Sales and Use Tax

Estimated 2019-21 beneficiary savings: \$5.8M

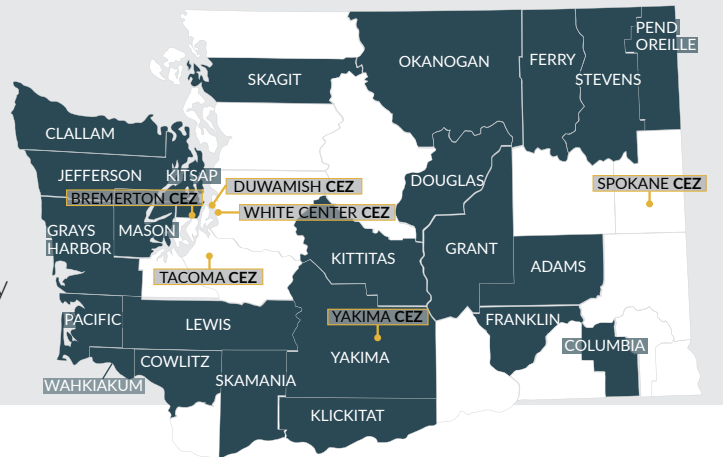
Preference defers sales & use tax for qualifying businesses in economically distressed areas

Must be in a

high unemployment county OR

community empowerment zone (CEZ).

- Must invest in facilities, machinery, or equipment. Projects in CEZs must meet hiring requirements.
- Deferred taxes are waived if a project meets eligibility requirements for 8 years.
- No deferral certificates issued after July 1, 2020.



Businesses reported creating 87% fewer jobs than they estimated in applications

Estimated new full-time jobs: **989**

Actual new full-time jobs reported by businesses: **131**

Stated policy objective: Promote and stimulate economic and new employment opportunities in economically distressed areas.

- Businesses used the preference in 8 of 22 qualifying counties.
- Businesses used the preference in 4 of 6 CEZs.
- Businesses added a net of 131 jobs. This is 87% less than the 989 jobs they estimated creating.
- It is unclear if the job growth meets legislative expectations.

Preference likely had nominal impact on reducing poverty in distressed areas

Stated policy objective: Reduce poverty in distressed areas.

- Poverty rate in qualifying counties and CEZs in 2016: **16 percent**.
- Potential reduction in poverty rate: **0.07 percent** (using most optimistic scenario).

EXAMPLE

Best possible preference effect:

1 out of 1,000
residents no longer in
poverty in eligible areas

Legislative Auditor's recommendation

Review sufficiency of outcomes and add metrics

- While businesses are using the preference in a few distressed areas, it is unclear if the amount of new jobs created or potential impact on poverty rates meets legislative expectations.
- The Legislature should consider adding metrics to reflect its expectations for job creation and poverty reduction.

The complete report is on the JLARC web site.

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