

**REPORT OF THE 1990
ENTERPRISE ZONES IN KENTUCKY**

RESEARCH MEMORANDUM NO. 460

LEGISLATIVE RESEARCH COMMISSION

December, 1991

REPORT OF THE 1990 ENTERPRISE ZONES IN KENTUCKY

LRC Staff:

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Research Memorandum No. 460

**Legislative Research Commission
December, 1991**

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RESEARCH MEMORANDUM

TO: Vic Hellard, Jr.
Director

FROM: Kathy A. Campbell
Cities Committee Staff

SUBJECT: Report on 1990 Senate Concurrent Resolution No. 109

DATE: December 2, 1991

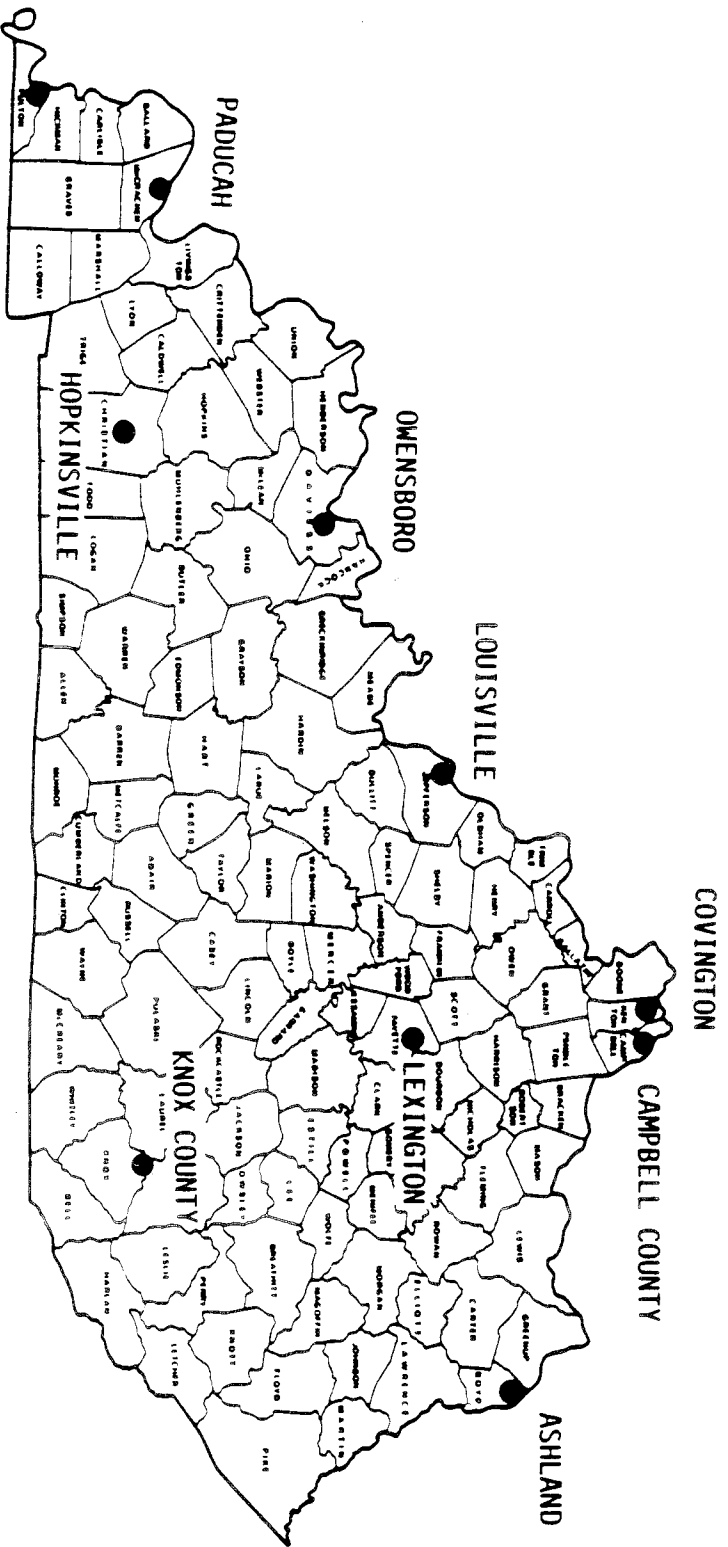
As required by SCR 109 (1990 Session), this memorandum contains research and recommendations regarding enterprise zones in the Commonwealth.

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KENTUCKY ENTERPRISE ZONES

HICKMAN - FULTON COUNTY



KENTUCKY'S ENTERPRISE ZONES

The United States Congress began discussing the concept of "enterprise zones" in 1980. Representatives Jack Kemp and Robert Garcia originally sponsored legislation that, according to Kemp, would allow local governments to "draw a green line around their poorest, yet most promising neighborhoods and apply bold tax incentives for both workers and small businesses to encourage enterprise and job creation."¹

Kentucky was one of the first states in the nation to enact legislation creating enterprise zones. When creating its program in 1982, Kentucky's General Assembly announced its intent to help stimulate economic activity and private investment in economically depressed areas of the state, and to improve the quality of life for citizens of the Commonwealth. Since 1982, 37 states and the District of Columbia have adopted enterprise zone legislation.

The legislature has limited the number of areas that may be designated as enterprise zones to ten. All ten zones have been designated and are located in the following communities: Louisville (1983), Hickman/Fulton County (1983), Ashland (1984), Covington (1984), Owensboro (1985), Lexington (1985), Knox County (1986), Campbell County (1986), Paducah (1986), and Hopkinsville (1987). According to the State Enterprise Zone Authority, 1,847 businesses have been certified as qualified businesses within these ten zones, as of October, 1991.

KRS 154.690 provides for qualified businesses and residents of an enterprise zone to be eligible for the following tax exemptions:

- Gains from the sale of qualified property within a zone are exempt from state income taxes;
- Interest payments on loans to qualified businesses or on mortgage loans on any property within a zone are exempt from all state taxes, **if** the loans were made after the enterprise zone was created;
- Building materials used in remodeling, rehabilitation, or new construction in a zone are exempt from sales and use taxes;
- New and used equipment and machinery purchased by a qualified business for use in the zone are exempt from sales and use taxes;
- Cars and trucks purchased and used by a qualified business are exempt from motor vehicle usage tax (exception: cars and trucks leased for a period longer than 90 days are not exempt from motor vehicle usage tax);
- Qualified businesses may carry forward net operating losses, including casualty losses, up to 20 years²;

¹ *Nation's Cities Weekly*, June 8, 1981.

² KRS 141.011 permits all business and individuals in the state to carry forward net operating losses.

- “Qualifying buildings and structures” within an enterprise zone are eligible for a property tax moratorium pursuant to Section 172B of the Kentucky Constitution; and

- Local governments may lower their ad valorem tax rate on qualified property within an enterprise zone to one-tenth of one cent (\$.001) upon each one hundred dollars of value.

In late 1989 and early 1990, several news articles implied that the enterprise zone tax exemptions, especially the motor vehicle usage tax exemption, were being abused.

In response to the concerns and issues raised by these newspaper articles, the 1990 General Assembly enacted Senate Concurrent Resolution No. 109. SCR 109 directed the Cities Committee to conduct a comprehensive review of Kentucky's Enterprise Zone Program, and specified that the study was to focus on (1) the effectiveness of the overall enterprise zone program in creating new economic activity and (2) the fiscal impact of current tax exemptions provided under KRS 154.690 on state revenues.

The Cities Committee created the Subcommittee on Enterprise Zones, which met a total of eight times—six meetings were held between September 26 and December 19, 1990, and the final two meetings were held in January of 1991. The Subcommittee worked extensively with the Kentucky State Enterprise Zone Authority, the Kentucky Revenue Cabinet, and officials from the ten enterprise zones to carry out the mandate of SCR 109.

The Subcommittee was unable to determine how effective the enterprise zone program has been in creating new economic activity, or how the program's tax exemptions have affected state revenues. The statutes that govern enterprise zones (KRS 154.650 to 154.705) have had little review or amendment since they were enacted.

Enterprise zones were a new concept in 1982 and the General Assembly did not address the questions of whether or how this new program would be monitored in succeeding years. The manner in which the statutes were drafted reflects a program being created and initially implemented. The lack of statutory requirements for the State Enterprise Zone Authority and the Kentucky Revenue Cabinet to collect specific historical data was a major factor in the Subcommittee's inability to document hiring practices, the retention of targeted workforce employees, and the actual dollar amount of capital investment by qualified businesses.

The State Enterprise Zone Authority testified that since 1982, 412 new businesses have been certified in the state's ten enterprise zones. The 412 new businesses have contracted for 3,102 new jobs and \$299,436,690 in new capital investment (based upon fiscal year 1989).

In 1986, the legislature enacted KRS 154.705, in an attempt to assess the fiscal impact of the enterprise zone program. KRS 154.705 mandated that the Kentucky Revenue Cabinet “assist the Authority in the preparation of a joint questionnaire to be administered by the Authority to qualified businesses within an enterprise zone, for the purpose of the Authority reporting to the General Assembly on the fiscal impact of the enterprise zone program.”

Due to a lack of communication and cooperation between the State Enterprise Zone Authority and the Revenue Cabinet, the mandate of KRS 154.705 has not been carried out.

According to the Revenue Cabinet, the only definite information that has been collected relates to the motor vehicle usage tax exemption. Between 1986 and May of 1990, the state has exempted \$5.7 million in usage tax for vehicles registered by qualified businesses in enterprise zones. Revenue Cabinet officials told the Subcommittee that they have not collected historical data on the other tax exemptions allowed under KRS 154.690 and could not assess their fiscal impact on state revenues.

The Subcommittee received written testimony and documentation from many businesses, local officials, and state officials relating to enterprise zones. Four appendices contain selected information about Kentucky's enterprise zone program; however, for an exhaustive review, the reader should contact the Legislative Research Commission library for complete materials from meeting folders and audio tapes of subcommittee meetings.

SUBCOMMITTEE RECOMMENDATIONS

The Subcommittee on Enterprise Zones recommended a bill to the full Cities Committee upon completion of its study in February of 1991. The legislative proposal, 92 RS BR 105, was prefiled by the Interim Joint Committee on Cities on November 12, 1991, for introduction during the 1992 General Assembly.³ The major changes proposed in 92 RS BR 105, relating to enterprise zones, are as follows:

- (1) Restates the legislative intent of the enterprise zone program (Section 1).
- (2) Requires the area of a proposed addition to an enterprise zone to independently meet the requirements for creating a zone (Section 4).
- (3) Strengthens the role of the State Enterprise Zone Authority and gives authority members a per diem or \$100 for attending meetings (Section 7).
- (4) Requires the Authority to take immediate action to remove a zone designation if the area no longer meets statutory criteria (Section 6).
- (5) Requires the Authority to report annually to the General Assembly on monitoring of the enterprise zone program (Section 8).
- (6) Requires businesses to maintain targeted workforce employees the entire time those businesses are in the program, or lose their tax exemptions; Limits exemption from usage tax on cars to the first \$20,000 of the retail price of the car; Retains full exemption from usage tax for trucks; and Creates a corporate income tax credit for businesses that hire employees from the targeted workforce (Section 10).
- (7) Strengthens the role of the Revenue Cabinet; requires Revenue to amend its tax forms in order to collect data on the fiscal impact of program; and

requires Revenue to report annually to the General Assembly on monitoring the enterprise zone program (Section 12).

- (8) Requests a \$26,400 appropriation during the 1992-94 biennium to pay Authority Board members.

³ 92 RS BR 105 became House Bill 66 and was enacted by the 1992 General Assembly with the following amendments: One member to be nominated by the AFL-CIO of Kentucky was added to the State Enterprise Zone Authority; the number of appointments recommended by the Secretary of the Economic Development Cabinet was reduced from two to one; and language was added to specify that the tax exemptions for motor vehicles must be for motor vehicles purchased and used by a qualified business for business purposes. Signed by the Governor on March 9, 1992, House Bill 66 becomes effective July 15, 1992.

Sept. 1990

KENTUCKY'S ENTERPRISE ZONES

Number And Location Of Zone	Date Of Designation	Size of Zone	Population Of Zone	Dates Of Boundary Amendments	Number Of Qualified Businesses	No. Of Requests Denied	Certification	Local Incentives	
								Number Of Certifications Revoked	Number Of Certifications
EZ 01 Louisville	June 1983	45.7 sq. miles	109,628	2/3/84 1/14/87	847	2 #1		0	1. Financial programs including interim financing; 2. Technical assistance-- building development and permits; 3. Special attention and service from utility companies; 4. Job training programs; 5. Reduced city and county business inventory tax; 6. Reduced building permit fees; 7. Special zoning for commercial and industrial uses; 8. Labor "no strike" agreement.
EZ 02 Hickman-Fulton County	June 1983	14,000 acres	3,000	None	54	1		1	1. Real estate and tangible property tax rates established at one mill per \$100 of assessment; 2. Negotiable gas and water rates on a cost-plus basis; 3. Utility tap-in fees reimbursed after first full year of business.
EZ 03 Ashland	Feb. 1984	4.24 sq. miles	7,977	6/18/85 12/1/87 8/17/88	58	#1		0	1. Ad valorem tax rate on real and personal property, as well as inventory involving improvement, additions or new construction resulting in an increase in assessed value, or tangible personal property created from expansion; 2. Assistance with identifying available properties and financing; 3. Assistance with permit and licensing procedures.
EZ 04 Covington	Feb. 1984	3,357 acres	30,630	5/8/85 12/1/87	72	#2		0	1. Minimum business license fee of \$50 is waived or net profits tax of 2 1/2% is waived for first 3 years of business; 2. 5 year property tax rate moratorium; 3. Ad valorem tax rate of one-tenth of one cent (\$.001) upon each \$10 of assessed value.
EZ 05 Owensboro	Jan. 1985	7.19 sq. miles	20,178	9/17/86	107	3		1	1. Exemption from building permit fees; 2. Abatement of inventory taxes; 3. Dedication of property tax revenues (attributable to capital improvements within the zone) to job creation by zone providing the 10% local contribution required for SBA 503 loans, and zone providing off-site improvements to assist in the private development of large downtown projects; 4. Zone business to have priority for use of available state and federal funds; 5. "One stop" permits and job training; 6. Other non-financial benefits targeted for zone.
EZ 06 Lexington	Jan. 1985	6.947 acres	38,605	11/11/86	89	1 #2		0	1. Dedication of tax revenues created by new and expanding businesses to be used for loans and site improvements; 2. Targeting of public financial aid and low interest loans; 3. Job training programs; 4. Security analysis and landscaping recommendations; 5. Zone businesses to have priority for use of available state and federal funds.
EZ 07 Knox County	Jan. 1986	26.78 sq. miles	2,845	5/13/87 5/26/89	86	0		0	1. 5 year tax rate-on real and personal property of one-tenth of one cent (\$.001) per \$100 of assessed value; 2. Below market interest rate loans; 3. Free water and sewer tap-ons; 4. No county business inventory tax; 5. Job training programs; 6. Assistance with power and service needs.
EZ 08 Campbell Co. (Dayton, Bellevue, Newport, Wilder)	Nov. 1986	9.46 sq. miles	29,240	5/13/87	86	1 #2		0	1. 5 year property tax moratorium for commercial businesses on rehabilitated structures 25 years or older; 2. 5 year property tax abatement for industrial businesses; 3. Building permits waived; 4. Security analysis; 5. Educational assistance from NKU; 6. Technical assistance with state and local codes, signage, zoning, and permits.
EZ 09 Paducah	Nov. 1986	5.42 sq. miles	8,228	10/14/87 3/14/89	119	3 #3		0	1. 5 year moratorium on investment in new personal property; 2. 50% reduction in taxable assessed value of real estate used in direct operation of business; 3. 5 year moratorium on business license fees; 4. 50% reduction of refuse fees; 5. Moratorium on building and electrical-plan review and building permit fees; 6. Employees not charged annual auto sticker fee; 7. 2 year, 50% reduction in earnings tax for new employees.
EZ 10 Hopkinsville	Dec. 1987	65 sq. miles	6,840	1/19/89	32	1 #2		0	1. 5 year rebate of 1 1/2% payroll tax (up to \$1,000 per employee) on new employees; 2. 5 year rebate of city property tax; 3. 5 year rebate of city business license tax; 4. 5 year moratorium on property assessments; 5. Revolving loan fund assistance; 6. Industrial revenue bond assistance; 7. Free fire and police safety inspections.

*Number of applications for certification as a qualified business that were deferred by the Authority.

#Source of information: Minutes of State Enterprise Zone Authority meetings from 10/82 through 5/90 and fact sheets provided by the Authority.

APPENDIX I

SUBCOMMITTEE MEMBERSHIP

Sen. Gerald Neal, Chair	Rep. Marshall Long
Rep. Denver Rutler	Sen. Joe Meyer
Rep. Jim Callahan	Rep. Carl Nett
Rep. Tony Curtsinger	Rep. Anne Northup
Rep. Leonard Gray	Rep. Kenny Rapier
Rep. Ken Harper	Sen. Art Schmidt
Sen. David Karem	Rep. Marty Sheehan
Rep. Bill Lear	Rep. Susan Stokes
Rep. Bill Lile	Rep. Eugene Stuart

Sen. Danny Meyer, Ex-Officio
Rep. Bill Donnermeyer, Ex-Officio

LRC Staff: Kathy Campbell and Cheryl Walters



GENERAL ASSEMBLY

COMMONWEALTH OF KENTUCKY

REGULAR SESSION 1990

SENATE CONCURRENT RESOLUTION NO. 109

MONDAY, MARCH 12, 1990

The following concurrent resolution was reported to the House from the Senate and ordered to be printed.

A CONCURRENT RESOLUTION directing the Cities Committee of the Legislative Research Commission to study the state enterprise zone program during the 1990-91 interim.

WHEREAS, the Commonwealth is currently facing a severe budget deficit and a court ordered mandate to equalize funding for Kentucky's schools; and

WHEREAS, recent news articles have documented abuses of the tax exemptions provided under the enterprise zone statutes; and

WHEREAS, the Senate Cities Committee, in conjunction with the State Enterprise Zone Authority and the Kentucky Revenue Cabinet, is currently preparing legislation, SB 153, to end these and other reported abuses that are detrimental to a vital economic development tool; and

WHEREAS, if enacted SB 153 will create an experimental zone to be used solely to provide housing for low to moderate income persons and homeless persons, as well as create an additional four enterprise zones; and

WHEREAS, SB 153 also proposes strict control over the tax exemptions currently available under the enterprise zone program; and

WHEREAS, the General Assembly has not examined the enterprise zone program since the enabling legislation was enacted in 1982;

NOW, THEREFORE,

Be it resolved by the Senate of the General Assembly of the Commonwealth of Kentucky, the House of Representatives concurring therein:

1 Section 1. That the Cities Committee of the
2 Legislative Research Commission conduct an in-depth study
3 of the state enterprise zone program during the 1990-91
4 interim.

5 Section 2. That the focus of the study shall be to
6 determine the effectiveness of the overall enterprise zone
7 program to create new economic activity, the fiscal impact
8 of the current tax exemptions provided under KRS 154.690
9 have on state revenues; and the effect of SB 153, if
10 enacted by the 1990 General Assembly, on the enterprise
11 zone program and its effectiveness in ending abuses of the
12 tax exemptions provided under KRS 154.690.

13 Section 3. Staff services to be utilized in the
14 study are estimated to cost \$25,000. Staff services shall
15 be provided from the regular Commission budget and are
16 subject to the limitations and other research
17 responsibilities of the Commission.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the First Meeting
of the 1990-91 Interim

September 26, 1990

The first meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Wednesday, September 26, 1990, at 10:00 a.m., in Room 327 of the Capitol. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators Joe Meyer, Art Schmidt, Eugene Stuart, and Danny Meyer (Ex-Officio Member); and Representatives Denver Butler, Tony Curtsinger, Leonard Gray, Ken Harper, Bill Lear, Marshall Long, Carl Nett, and Susan Stokes.

Guests: Debbie Boney, Lexington-Fayette Urban-County Government; Paul McCowan, Louisville Economic Development Department; Clay Snedegar and Eddie Mattingly, Revenue Cabinet; Leah Konicki, City of Covington; Peggy Satterly, Department of Local Government; Sylvia Lovely, Kentucky League of Cities; Sara Bell, Economic Development Cabinet; Gil Lynn, Campbell Fiscal Court, and Jack Fish.

LRC Staff: Kathy Campbell, Karen Sheets, Peggy Hyland, Bruce Smith and Cheryl Walters.

The first order of business was an overview of the mandate of Senate Concurrent Resolution 109, that was included in the members' folders. Chairman Neal stated that Kentucky has had enterprise zone legislation since 1982 and was one of the first states to adopt enabling legislation. He noted that the 1990 General Assembly directed the Cities Committee to conduct the first comprehensive review of Kentucky's Enterprise Zone Program. Chairman Neal welcomed everyone and encouraged their active support and participation with this task.

Chairman Neal emphasized that he perceived the Committee's mandate to be one of evaluating a very successful and necessary program--not to destroy an essential economic development tool used by our cities and counties. However, he said he felt very strongly that it is important to keep an open mind as we begin this review process and to consider that some "fine tuning" of statutes governing this program may be necessary. Chairman Neal stated that he hoped that we will not lose this opportunity to end conditions that have resulted in negative publicity of the enterprise zone program.

Chairman Neal next recognized some local enterprise zone administrators that were present in the audience: Ms. Boney, Lexington; Mr. McCowan, Louisville; Mr. Lynn, Campbell County; and Ms. Konicki, Covington. He also recognized Ms. Sara Bell, State Enterprise Zone Program Coordinator, and Mr. Snedegar and Mr. Mattingly with the Kentucky Revenue Cabinet.

Chairman Neal then asked Ms. Kathy Campbell, LRC Staff, to discuss the folder materials. Ms. Campbell stated that included in the members' folders was a map and a comparison chart of all ten enterprise zones in the state. Also included in the folders was a membership list of the Kentucky Enterprise Zone Authority. Ms. Campbell noted that the Authority has nine members with one seat vacant, and that the Governor makes the appointments to the Authority. The rest of the folder materials included state statutes and regulations governing enterprise zones, samples of information communities receive when they express an interest in the enterprise zone program, applications for new and existing businesses to be completed and sent back to the Authority, and revenue circulars that the Revenue Cabinet sends out to explain tax exemptions in areas designated as enterprise zones.

Representative Long asked if there were any bills during the 1990 session to expand the number of enterprise zones. Ms. Campbell said if it had passed, SB 153, sponsored by Senator Danny Meyer, would have expanded the number of enterprise zones by four.

Representative Long suggested that the subcommittee look at recent newspaper articles that talked about people in enterprise zones taking advantage of tax exemptions, such as licensing their personal cars in the enterprise zone to avoid paying motor vehicle usage tax. He stated that the rationale for enterprise zones is to provide jobs.

Chairman Neal directed staff to provide those news articles to the members.

Chairman Neal asked Ms. Campbell what legislation from previous years had been proposed relating to enterprise zones. Ms. Campbell stated that in 1986 a category was established for existing businesses that would allow them to be certified as a qualified business and begin receiving tax incentives. Amendments made in 1986 also required the Enterprise Zone Authority to work with the Revenue Cabinet to come up with fiscal information on what this program is costing and to submit those reports to the Governor as well as the General Assembly. She said 1988 legislation prohibited leasing companies from being eligible to receive the motor vehicle usage tax exemption. Ms. Campbell noted that another bill that failed in 1990 was HB 738, sponsored by Representative Pat Freibert, which limited tax exemptions to five years rather than the current time frame of 20 years.

Chairman Neal suggested that the subcommittee have those pieces of legislation to review.

Representative Gray asked if there was anything in the enterprise zone legislation that requires you to hire people that live in the enterprise zone. Ms. Campbell said yes, that the legislation requires one of three categories: you have to be a resident of the enterprise zone; have been employed for at least 90 days; or have been receiving public assistance for at least 90 days. She noted that enterprise zones are designated to help residents of the area as well as businesses.

Representative Curtsinger asked if all of the employees hired by a business have to be from within the enterprise zone. Ms. Campbell said state law requires 25% of the employees hired by a business come from one of those three categories.

Chairman Neal asked if employment records are kept for the enterprise zones. Ms. Campbell said the State Authority maintains a record of where individuals live on the application form. Chairman Neal also asked if there was monitoring of this program as well, and if so, who is responsible for that. Ms. Campbell said there is some monitoring taking place, however, she suggested the issue of monitoring might be something the subcommittee wants to look into, especially when the Revenue Cabinet and State Enterprise Zone Authority appear before the subcommittee.

Representative Butler told Chairman Neal that he feels confident that the Louisville Enterprise Zone keeps track of its employment records.

Representative Curtsinger asked if enterprise zones are maintaining that level of 25% hiring requirement. Ms. Campbell said they are supposed to, but whether that is occurring, she cannot say.

Representative Gray commented that if there is no monitoring, then it cannot be determined if the zone is meeting that 25% statutory hiring requirement.

Chairman Neal asked if there was any material available as to what process is used to do the monitoring and follow up. Ms. Campbell said she did not feel comfortable in saying yes. She said the individuals that work with the program on a daily basis would be more qualified to address that.

Chairman Neal asked if the members had any suggestions for issues that the subcommittee should study. Senator Joe Meyer emphasized that he had been concerned for many years with developing a reliable method for assessing what the enterprise zone program is actually costing the State of Kentucky. Senator Meyer said the subcommittee needs to find how much the enterprise zone program is costing the state in the way of taxes, and that once we have that answer then we can decide if this program is worthwhile. Senator Meyer said the Revenue Cabinet and the Enterprise Zone Authority need to address this issue, and that program costs should be discussed at a future meeting of the subcommittee.

Ms. Campbell stated she has been in contact with both the Revenue Cabinet and the Authority, and that Chairman Neal has invited them to address the subcommittee. She said the Chairman has also invited all of the local zone administrators to the subcommittee's meetings.

Chairman Neal said the last item of business would be to review the interim work schedule as follows: October 11, the subcommittee will examine how Kentucky's incentives compare to the type of incentives offered by other states in their enterprise zone programs; October 24, the Revenue Cabinet has been invited to address the subcommittee; November 15, the chairman of the Enterprise Zone Authority has been invited to address the subcommittee (all Authority members and Local Zone Administrators are also scheduled to be invited to this meeting); December 13, recommendations for the final report and possible legislation will be discussed; and December 19, recommendations to the full committee will be finalized.

Chairman Neal noted that this schedule was not written in stone. There was a general discussion of future meeting dates and staff was asked to look into potential conflicts.

Chairman Neal asked if there were any more suggestions. Representative Lear said he wanted to expand on Senator Joe Meyer's suggestion. He suggested measuring the benefits of the enterprise zone program, that cost is only half of it and an overall price tag needed to be established.

Representative Curtsinger said the issue of luxury cars and the motor vehicle usage tax exemption that is being taken advantage of within enterprise zones should be looked into. He said this is a public issue and should be addressed.

Ms. Campbell noted that Indiana and Illinois have begun to develop a plan to address cost estimates.

Chairman Neal asked if anyone in the audience had any comments. There being none, the meeting was adjourned at 10:50 a.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Second Meeting
of the 1990-91 Interim

October 11, 1990

The second meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Thursday, October 11, 1990, at 10:00 a.m., in Room 327 of the Capitol. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators Joe Meyer and Art Schmidt; and Representatives Denver Butler, Jim Callahan, Tony Curtsinger, Leonard Gray, Bill Lear, Marshall Long, Carl Nett, Anne Northup, Kenny Rapier, and Susan Stokes.

Guests: Sara Bell, Economic Development Cabinet; Peggy Satterly and Bob Leonard, Department of Local Government; Roy Strange; Gil Lynn, Campbell County Fiscal Court; and Dee Baugh, Governor's Office for Policy and Management.

LRC Staff: Kathy Campbell, Karen Sheets, Bruce Smith, Kyna Koch, and Cheryl Walters.

Upon the motion of Senator Schmidt, seconded by Representative Butler, the minutes of the September 26, 1990 meeting were approved.

The first order of business was a review of folder materials. Chairman Neal asked Ms. Kathy Campbell, LRC Staff, to explain the folder materials. Ms. Campbell stated that there were two folders containing materials for today's meeting. Included in the first folder was information provided by the U.S. Department of HUD: the latest update on the ongoing activities taking place in those states that have passed state enterprise zone legislation; and a survey of 22 state enterprise zone coordinators on the performance and effectiveness of enterprise zones in states with competitive programs. Also included in the first folder was information on other states' enterprise zone incentives, provided by Ms. Sara Bell, Coordinator of Kentucky's Enterprise Zone Program; a staff memorandum comparing the other 36 states with enterprise zones that offer tax exemptions similar to Kentucky's program; and a newspaper article discussing how the compromise on the federal budget deficit would affect the Louisville zone.

Ms. Campbell stated that included in the second folder was legislation from the 1990 session that had been proposed relating to enterprise zones but had failed to be enacted, and newspaper

articles relating to the motor vehicle usage tax exemption for enterprise zone businesses that members had requested during the last meeting.

Chairman Neal told members that if there was any other information they think the subcommittee needs to secure, to contact staff early so that it can be obtained and distributed.

Representative Long asked if staff had received a copy of a study, conducted by Purdue University, on the Indiana enterprise zone program. Ms. Campbell said she had received that study, and would provide it to the members.

Referring to the list of tax exemptions offered by enterprise zones in other states, Representative Long commented that Kentucky is the only state that exempts automobiles from the motor vehicle usage tax. He said he had a problem with this exemption, and was concerned when that provision was originally put in the enterprise zone legislation back in 1982.

Chairman Neal next asked Ms. Bell to give the subcommittee an update on the federal enterprise zone budget compromise since she had just returned from Washington. Ms. Bell stated that included in the budget compromise was a proposed \$1 billion cap on incentives for three to four years in federal enterprise zones. She noted that federal legislation proposed between 25 and 50 federal enterprise zones. As of October 11, Ms. Bell told members that funding for federal zones had been withdrawn from the budget compromise--in other words, there will not be a federal enterprise zone bill.

Representative Northup asked what the \$1 billion was to be used for. Ms. Bell said she believed it would be for a concept called "expensing". Expensing is a process where an individual or group could invest their money in a federal enterprise zone up to \$200,000. She noted that up to 50% of the \$200,000 could be taken off of the top of the investor's federal income tax.

Representative Northup next asked Ms. Bell if it was possible to determine what expenses are associated with the tax exemptions offered under Kentucky's program. Ms. Bell responded that the motor vehicle usage tax exemption could be determined "down to the penny", but that no model has been developed to track the other exemptions. She noted that it would be almost impossible to know these expenses without surveying every qualified business participating in the program.

Before discussion continued, Chairman Neal announced that due to some conflicts, the subcommittee's meeting on December 13 would be changed to Monday, December 10. He noted that the subcommittee would have to request LRC's approval of that change.

Chairman Neal then asked members for issues that they felt should be studied by the subcommittee for possible recommendation to the full committee.

Senator Schmidt asked if there was any way to find how much we really save by putting people back to work that were not working because of the requirements of the enterprise zone. He said that like Representative Long, he is concerned about the motor vehicle usage tax exemption.

Ms. Bell said the intent of enterprise zones was to revitalize blighted areas and to use them as an economic development tool. In 1981, she noted that the motor vehicle usage tax was used to encourage trucking firms to come to Kentucky.

Senator Schmidt asked what would the state lose if we drop the motor vehicle usage tax exemption. Ms. Bell stated that she agrees that something needs to be done about problems with this exemption since that was the only bad part of the enterprise zone program. She noted however, that even though she did not believe that luxury cars receiving a tax exemption complied with the intent of the legislation, that no one had broken the law that was receiving this exemption. Ms. Bell said the Kentucky Enterprise Zone Authority and the Economic Development Cabinet were in full support of some amendment to the state law governing tax exemptions on motor vehicle usage tax.

Senator Schmidt asked if Ms. Bell would object to an amendment to the state statutes that enforces compliance for zones to be compact and contiguous when the boundaries are drawn or altered at a later date. Ms. Bell said she would hesitate to answer for the Authority at this time.

Representative Long commented that no one should be exempt from paying usage tax because that money is used to maintain the highways.

Representative Butler commented that you are always going to have a small percentage of individuals that will take advantage of any program. He suggested having some type of penalty for abusing incentives rather than eliminating tax incentives. Representative Butler stated that we do not want to gut the enterprise zone program because it has provided businesses and jobs.

Chairman Neal asked if there was a way to determine the scope of abuse of the motor vehicle usage tax exemption, as well as the other tax exemptions Kentucky offers. Ms. Bell said there was no way to determine that.

Representative Northup stated that she agreed with Representative Butler and did not want to see this program jeopardized. She said she would be interested in seeing businesses come before the subcommittee and state what tax exemptions are more attractive to them that would encourage them to locate in an enterprise zone.

Representative Long wondered if there were qualified businesses locating in an enterprise zone that do not necessarily hire very many people--like accountants. He said there may be some other abuse

that they do not know about with storefront businesses taking advantage of the tax exemptions. Representative Long said he would like the subcommittee to look at exactly who had been certified as a qualified business.

Representative Curtsinger stated that the luxury taxes should be limited. He said the concept of enterprise zones is good, but he was concerned about businesses crossing over from one county into another county because of tax exemptions offered in enterprise zones.

Representative Gray asked if the enterprise zone authority monitors the hiring of people from within the area designated as an enterprise zone. Ms. Bell said the Cabinet for Human Resources follows up on the original application each business submits but that is the only time this information is verified.

Representative Callahan stated that the difference between the purchase and the lease of business vehicles needed to be clarified. Ms. Bell said there was a recent Board of Tax Appeals decision overturning a Revenue Cabinet action on this issue and that she would furnish it to Representative Callahan.

Representative Butler suggested inviting small manufacturing companies and service companies in enterprise zones to address the subcommittee on the advantages of being in a zone and the tax exemptions that they used most frequently.

Representative Lear stated that the duration of tax exemptions is an issue that should be addressed. He asked if there was any information in the application process that can tell us where the businesses are coming from to the extent that it is a relocation situation from within the same city, from elsewhere in Kentucky, or from out-of-state. Ms. Bell said if it is a new application, meaning new to the zone, there would be a previous address that she could use to try to come up with the information requested by Representative Lear.

Representative Lear commented that he thought there may be a real difference between the benefit of pulling someone in from out of state, and pulling someone in from a depressed area elsewhere in the community that does not happen to be in one of these gerrymandered zones. He wondered whether we really want to create incentives to move a business from one county to another. Representative Lear said he would like to have the information about where these businesses are coming from.

Chairman Neal said that information would be secured and presented to the subcommittee at a future date.

Chairman Neal suggested that the subcommittee look at what aspects of the enterprise zone program are testing the intent of the legislation. He wondered if the purpose of the legislative intent should be discussed again.

Representative Callahan stated that the purchase of machinery

and equipment by a qualified business needed to be clarified as to whether it is going to use that machinery within or outside of the enterprise zone and if it is indeed exempt from taxation.

Chairman Neal suggested that the subcommittee may also want to see if the technical aspects of the enterprise zone legislation were being complied with and conduct a technical appraisal of the current statutory provisions.

Representative Curtsinger suggested that the definition of enterprise zone may need to be looked at because it gives a broad range of where enterprise zones can be located.

Representative Callahan stated that the purpose and intent provision need to be clearly defined that existing businesses within enterprise zones need to be maintained and encouraged to expand. He said it is just as important to expand existing businesses as it is to bring new ones in.

Representative Stokes asked if there was a mechanism to apply a "spotting" area concept of enterprise zones. Ms. Bell replied that other states that have a large number of enterprise zones proceed on a project by project basis.

Senator Schmidt commented that the intent of the enterprise zone legislation was to rebuild downtowns, and that is not being done when communities use enterprise zones to locate businesses on the edge of town in their industrial parks. He said how do we really know if enterprise zones are helping. Senator Schmidt asked Ms. Bell if she could provide any statistics that show how enterprise zones have really provided jobs and helped blighted areas. Ms. Bell said she might be able to provide some statistics on this matter.

Chairman Neal stated that the subcommittee may want to look at what components our program is missing that would help achieve the intent of the enterprise zone legislation, as well as strengthen the program.

Representative Lear stated that infrastructure should be upgraded first by local governments to enhance business location within enterprise zones, rather than encouraging businesses to locate in an area before the infrastructure is upgraded or in place.

Representative Northup wondered why enterprise zones have to be geographically defined areas. She suggested allowing all businesses to participate as long as they meet employment goals and criteria.

There being no further business, the meeting was adjourned at 11:10 a.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Third Meeting
of the 1990-91 Interim

October 24, 1990

The third meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Wednesday, October 24, 1990, at 10:00 a.m., in Room 327 of the Capitol. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators David Karem, Joe Meyer, Art Schmidt, and Eugene Stuart; and Representatives Denver Butler, Jim Callahan, Tony Curtsinger, Leonard Gray, Ken Harper, Bill Lear, Marshall Long, Carl Nett, Anne Northup, and Susan Stokes.

Guests: Calvert Bratton and Clay Snedegar, Revenue Cabinet; Michael Peters, Michael's Color Service, Dayton, Kentucky; W. T. Setzer, Brett Construction Company, Lexington; Jeff Smith and Brian Krein, BJK Industries, Inc., Louisville; Gerald Quitter, ESCO Corporation, Covington; Sara Bell, Economic Development Cabinet; Gene Stinchcomb and Peggy Satterly, Department of Local Government; Kathy Slay, Louisville/Jefferson County Office for Economic Development; Paul McCowan and Tim Firkens, City of Louisville; Leah Konicki, City of Covington; Debbie Boney, Lexington-Fayette Urban County Government; Gil Lynn, Campbell County Fiscal Court; and Dee Baugh, Governor's Office for Policy and Management.

LRC Staff: Kathy Campbell, Bruce Smith, and Cheryl Walters.

Press: Lexington Herald-Leader.

Upon the motion of Senator Karem, seconded by Senator Joe Meyer, the minutes of the October 11, 1990 meeting were approved.

The first order of business was a presentation by the Kentucky Revenue Cabinet. Chairman Neal introduced Mr. Calvert Bratton, Commissioner of the Department of Tax Compliance. He noted that Mr. Bratton was invited to give the subcommittee some insight as to how the enterprise zone program is administered from the Revenue Cabinet's standpoint, the policies that the Cabinet has that apply to the enterprise zone program, the problems, if any, that the Cabinet sees from working with the program, and any recommendations that they may have.

Mr. Bratton began his presentation by telling the subcommittee

that enterprise zones have been a topic of serious consideration to the Revenue Cabinet for several legislative sessions. He noted that the Cabinet, unfortunately, is not in a position to identify all of the tax breaks for businesses that locate within an enterprise zone. Mr. Bratton stated that there are several statutory provisions for tax preferential treatment, such as income tax, sales tax, motor vehicle usage tax, etc., that the Cabinet has a hard time identifying because it has never completely audited all of the businesses in enterprise zones. According to Mr. Bratton, the Cabinet does not know what the impact of income tax breaks are to businesses in enterprise zones. He said the same applies to sales tax, in that the Cabinet cannot tract through their tax system the relative comings and goings of businesses as it relates to their sales tax exemptions. He said the Cabinet is beginning to address that by changing their sales tax returns to obtain additional information.

Mr. Bratton stated that of all the state tax exemptions offered to enterprise zone businesses, the motor vehicle usage tax has given the Revenue Cabinet the most trouble. He said there have been a number of perceived abuses of the privilege for registering tax exempt vehicles by businesses located in enterprise zones, which turn out to be used for purposes other than business. Mr. Bratton stated that from 1986 through May of 1990, the Cabinet has exempted \$5.7 million of usage tax for vehicles registered in enterprise zones. He noted that those are taxes that would have been paid had they not been registered to a qualified business in an enterprise zone.

Mr. Bratton noted that the Cabinet has been asked, in light of the enterprise zone study resolution, to participate in any way they can. Unfortunately, he said the Cabinet does not have the ability, in a short period of time, to develop a lot of answers for this committee. However, Mr. Bratton told the subcommittee that the Revenue Cabinet has developed some scenarios of ways to make the issue easier to deal with from the standpoint of businesses locating in enterprise zones just to receive favorable tax treatment. He said he does not believe that preferential tax treatment was the intent of the original enterprise zone legislation, but rather it was designed to improve blighted areas and high unemployment areas.

Mr. Bratton offered that one approach to remedy the tax consequences of locating in enterprise zones may be to simply not provide upfront exemptions to a business, but to provide a long-term tax credit. He said that tax credits could also be applied to the sales and income tax exemptions. Mr. Bratton noted that there were a couple of things that needed to be addressed regarding the income tax issue that is provided for under the enterprise zone program. He said one incentive for businesses to locate within enterprise zones is to have the ability to carry forward a net operating loss from their business for a twenty year period. But, that incentive is technically not a special tax break unique to enterprise zones because state law currently allows any business that has a loss to carry it forward for 20 years.

Mr. Bratton stated that enterprise zones are a legitimate interest of the state and need to be given some preferential treatment. But how that preferential treatment is actually used by businesses within enterprise zones is the real argument.

Mr. Bratton concluded his presentation by offering the following recommendations from the Revenue Cabinet:

(1) Sales and use tax: require businesses to pay tax upfront and then apply for credit on a quarterly basis;

(2) Income tax: create an additional real beneficial credit for being in an enterprise zone along the lines of an employee tax credit;

(3) Usage tax: Limit tax to business only vehicles. Establish benchmark on what type of vehicles would qualify; and

(4) Life of exemptions: limit to five, ten or 15 years because current exemption life of 20 years is too long.

In regard to the exempted \$5.7 million of usage tax for vehicles registered in enterprise zones, Representative Curtsinger asked if there was a breakdown on what percent was used for business as opposed to luxury vehicles for personal use. Mr. Bratton said there was a computer printout with that information and he would make it available to Representative Curtsinger.

Representative Lear asked if the Revenue Cabinet can track where businesses are coming from when they locate in an enterprise zone. Mr. Bratton said the Revenue Cabinet did not have a way to track that information, but that perhaps the State Authority could provide that information.

Representative Lear asked if there are other jurisdictions that grant an enterprise zone exemption of five years and then require the business to demonstrate, as a condition for continuing the exemption, that they are really doing what they are supposed to be doing. Mr. Bratton replied that he is aware of two states that have proposed new regulations to cover additional certification for enterprise zones. Mr. Bratton noted that in one instance, an upfront five-year exemption was granted to businesses as an inducement to locate within an enterprise zone. At the end of the fifth year, the business is required to go through a recertification and if they still meet their original commitment, then their certification would be extended for another five years.

Representative Lear asked if he was correct in saying that if this subcommittee is trying to engage in any sort of a cost-benefit analysis to compare what benefits we have as opposed to what taxes we have lost, we do not have the data to really do that. Mr. Bratton said at this point, we do not.

In regard to the exempted \$5.7 million of usage tax for vehicles registered in enterprise zones, Representative Long said

that was enough money to pay for 200 miles of highway. He said that exemption should be done away with.

Representative Northup commented that the subcommittee should spend some time on deciding why we have enterprise zones. She said she would dispute that the idea is not to lure a business outside of an enterprise zone into an enterprise zone.

Representative Gray stated that he was concerned about the hiring of people that were residents of an enterprise zone and the hiring of people that were employed for a specified period of time. He asked if there were any records to show where businesses have filled out a form to receive some kind of tax credit for hiring those people. Mr. Bratton stated that the Department for Employment Services of the Cabinet for Human Resources has information to determine if those people have been hired.

Representative Gray asked if credit was offered to businesses that hired people who were unemployed, would the Revenue Cabinet set up a mechanism that would enable them to determine if businesses were living up to that. Mr. Bratton said legislation would be needed to direct who could and should do that.

Chairman Neal asked Mr. Bratton if the Revenue Cabinet could offer any recommendations for legislation. Mr. Bratton said they would be glad to.

Representative Callahan asked Mr. Bratton if it was the attitude of the Revenue Cabinet that enterprise zones were an economic development tool. Mr. Bratton replied yes.

Representative Callahan commented that we have to be aware of businesses that are located outside of an enterprise zone that might be considering leaving the state, and the enterprise zone is a method by which we keep them in Kentucky. He said if we are going to cite statistics about businesses that are not located within a zone moving into one, then we have to see how many of those may have left the state anyway.

Regarding Mr. Bratton's recommendation to require businesses in an enterprise zone to pay sales and use tax upfront, Representative Callahan pointed out that a business' capital expenditures to establish themselves within the enterprise zone are taken into consideration because of the fact that they do not have to pay those taxes upfront, resulting in additional dollars that might enable them to expand their business. He asked Mr. Bratton what the thrust was of paying sales and use taxes upfront. Mr. Bratton said that by paying taxes upfront you have a better audit trail--to make sure tax exemptions were used for legitimate purposes within the enterprise zone.

Regarding the life of exemptions, Representative Callahan said again, we have to be cautious because there may have been businesses, either existing or new, that came to an enterprise zone with the full intent that they have projected out their financial

future on the life of the 20 year enterprise zone. Representative Callahan continued that if we start reducing the number of years tax exemptions are offered and do not grandfather some of those businesses, we could very well put them out of business. He asked Mr. Bratton if that was something the Revenue Cabinet was proposing. Mr. Bratton responded that to change the ground rules on anyone that is already in an enterprise zone would be unwise.

Senator Joe Meyer told Mr. Bratton that many of the subcommittee members have been very concerned about the cost of the enterprise zone program for a number of years. He said while they recognize that the program is an economic development tool, if it is costing the state billions and generating only hundreds of thousands of dollars in benefits, the program may be worth taking another look at.

Referring to the report that was conducted by Purdue University on the Indiana enterprise zone program, Senator Joe Meyer stated that it was found that there was absolutely no linkage between the enterprise zone designation and any increase in inventory, decrease in the unemployment rate or increase in capital investment. He said the report says to him that there is absolutely no actual benefit from having an enterprise zone program.

Senator Joe Meyer noted that in 1986, the legislature changed the statutes, because of their concern over the cost, to require some coordination and cooperation between the Revenue Cabinet and the Commerce Cabinet in order to determine what the fiscal impact of the enterprise zone program was. Senator Meyer asked Mr. Bratton what type of cooperation has the Revenue Cabinet had with the Commerce Cabinet on this program in the last four years. Mr. Bratton replied that to the best of his knowledge, they have never embarked on any joint effort to make a determination of the benefit.

Senator Joe Meyer asked Mr. Bratton if the Commerce Cabinet had every initiated any contact with the Revenue Cabinet to try to get a handle on the cost. Mr. Bratton said not to his knowledge.

Senator Joe Meyer asked Mr. Bratton if he agreed that it is good policy to know the cost of the enterprise zone program. Mr. Bratton replied yes.

Senator Joe Meyer stated that in the past, the committee has been told that there is some unwillingness on the part of the Revenue Cabinet to make some changes to their forms and procedures in order to calculate the cost. He asked Mr. Bratton if the Revenue Cabinet now, is in fact, willing to make adjustments. Mr. Bratton said absolutely, that the Revenue Cabinet is moving in that direction.

Senator Meyer asked Mr. Bratton what his basis was for considering enterprise zones legitimate, since the legislature has no knowledge of what the enterprise zone program costs, little knowledge of what the state is really getting, and since the Indiana experience, there appears to be no measurable benefit from its

enterprise zone designation. Mr. Bratton stated that in looking at some businesses that are located in enterprise zones across Kentucky, it is apparent that some of those would not be here without enterprise zone benefits. He said some of those are significant enough in their scope of operation, the number of people they employ, and the amount of tax that they now pay, that if the enterprise zone certification was a leverage that got those businesses to locate in Kentucky, then that is a legitimate reason to have enterprise zones.

Senator Joe Meyer asked Mr. Bratton if he knew the names of any of those businesses. Mr. Bratton said the Revenue Cabinet had some documentation that United Parcel Service in Louisville was one.

Senator Schmidt commented that there is no question that incentives, whether it is enterprise zones or any kind of tax breaks, are going to attract business, but we do not know what the cost is.

Mr. Bratton noted that LRC has conducted several studies over the years on what inducements attract business, and tax breaks are no better than seventh in the level of criteria that businesses use to give for a reason to locate anywhere. He said there are criteria that take greater precedence than tax benefits.

Representative Northup commented that businesses are in business to make money. She said if we make Kentucky a good place to make money, she is convinced that businesses will locate here. If we make Kentucky a place not to make money, businesses will not locate here.

Representative Butler commented that if businesses have to pay taxes upfront, a lot of them will not be looking at enterprise zones. He said we should assist businesses when locating because they provide jobs instead of creating a hindrance.

Representative Callahan commented that if it was the intent in 1986 that the Revenue Cabinet and Commerce Cabinet cooperate to find out the fiscal impact of the enterprise zone program, he was appalled that it has not been done.

Senator Stuart asked if leasing companies were a portion of the exempted \$5.7 million of usage tax for vehicles registered in enterprise zones. Mr. Bratton said yes.

Senator Karem commented that the enterprise zone program is a complex issue and more information was needed. He said there is a ripple effect of jobs and money within enterprise zones. Mr. Bratton said Senator Karem was correct.

Representative Lear asked how many businesses were located in enterprise zones. Mr. Bratton said approximately 1800. Representative Lear also asked how many businesses file income tax returns. Mr. Bratton said that would be difficult to determine.

Representative Lear commented that the state is doing a poor job of monitoring the enterprise zone program. He said we are at a loss because we do not get information returned from enterprise zone businesses. Representative Lear indicated that businesses across the state, for the most part, are on a "level playing field" when it comes to competition--with the exception of businesses located within an enterprise zone.

Senator Karem commented that it was absurd to say that enterprise zone businesses who receive special treatment are the only ones that begin with an edge on competition. He said regardless of the type of business, many factors contribute to some being more successful and competitive than others. Senator Karem reiterated that it is absurd to suggest that the rest of the businesses across this state are on a level playing field.

Representative Butler asked if it would be appropriate for this subcommittee to send letters to the Revenue Cabinet and the Commerce Cabinet, asking them to comply with 1986 legislative mandate of KRS 154.705. Chairman Neal said it would be more appropriate for the subcommittee to recommend that to the full committee for their action.

Senator Joe Meyer stated that he supported the enterprise zone program but has been trying for five years to get a handle on the cost of it. He thanked Mr. Bratton for appearing before the subcommittee.

Chairman Neal also thanked Mr. Bratton and told him if he had any other suggestions to let the subcommittee know.

The last order of business was presentations by qualified businesses located in enterprise zones. The first speaker was Mr. Michael Peters, President of Michael's Color Service in Dayton, Kentucky, representing the Campbell County Enterprise Zone.

Mr. Peters stated that when his business first moved to Dayton, Kentucky from Ohio, he had 19 employees--now he has 30, five of whom are from the Dayton enterprise zone area. He noted that employees working with high tech equipment make a salary of around \$35,000 a year. Mr. Peters emphasized that this type of salary takes people off public assistance and helps individuals who previously were making the minimum wage to become active participants in their community. He stated that his business has \$441,000 worth of high tech equipment.

Senator Meyer asked Mr. Peters if he has received any tax breaks by locating in an enterprise zone. Mr. Peters said he understands his builder received a tax break on construction materials but that he did not have any idea how much the gentleman received. He noted that his accountant would have that information.

Chairman Neal asked Mr. Peters if he would obtain that information from his accountant and make it available to the subcommittee. Mr. Peters said he would.

The second speaker was Mr. W. T. Setzer, owner of Brett Construction Company, representing the Lexington Enterprise Zone. Mr. Setzer stated that he not only has a business located in an enterprise zone, he is also a general contractor. He noted that he relocated into the enterprise zone because he needed to expand his facilities. Mr. Setzer said he did not know of any tax breaks the business has received.

The third speaker was Mr. Gerald Quitter, Plant Manager of ESCO Corporation, representing the Covington Enterprise Zone. Mr. Quitter stated that he did realize there would be savings by locating in an enterprise zone, but that the enterprise zone was just part of an overall package that resulted in his company locating in Covington. He noted that he had 30 employees but hoped to have 80 or 100 by next year.

The last speakers were Mr. Jeffrey Smith, Chief Executive Officer, and Mr. Brian Krein, Executive Vice President of BJK Industries, Inc., representing the Louisville Enterprise Zone. Mr. Smith said that BJK Industries, Inc. has been a family business since 1977. He noted that when his company began looking at expansion, they decided to move from Indiana into Kentucky. However, Mr. Krein noted that BJK Industries had already selected a site in Louisville to meet their needs before they knew the location was in an enterprise zone. He stated that being located in an enterprise zone has been an advantage to his company.

Chairman Neal stated that it is being indicated to him that enterprise zones were not really an inducement for businesses to locate there.

Mr. Quitter reiterated that the enterprise zone was an important part of the package, but not the sole reason for locating his business in Covington. He said it was one of ten criteria that they looked at.

Senator Schmidt commented that if the state was one enterprise zone, it would make more sense than gerrymandering areas to entice businesses to locate in particular areas of the state.

Representative Harper commented that the tie-in with jobs and businesses has been with KIFDA funds, not with enterprise zones.

Representative Long suggested that the subcommittee look at how enterprise zone boundaries have been expanded over the years.

Chairman Neal thanked the businesses for appearing before the subcommittee.

There being no further business, the meeting was adjourned at 11:50 a.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Fourth Meeting
of the 1990-91 Interim

November 15, 1990

The fourth meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Thursday, November 15, 1990, at 10:00 a.m., in Room 327 of the Capitol. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators David Karem, Joe Meyer, Art Schmidt, and Danny Meyer (Ex-Officio Member); and Representatives Jim Callahan, Tony Curtsinger, Leonard Gray, Ken Harper, Bill Lile, Marshall Long, Carl Nett, Anne Northup, Marty Sheehan, and Susan Stokes.

Guests: Gus Sheehan, Covington; John Hodgkin and Joe Anderson, Cabinet for Human Resources; Sara Bell, and Linda Reardon, Economic Development Cabinet; Jim Poston, Bill Johnson, and Robert Buckingham, Kentucky Enterprise Zone Authority; Rod Dittmer, City of Paducah; JoAnn Bell, City of Ashland; Gil Lynn, Campbell County Fiscal Court; Carol Lynn, City of Dayton; Denny Bowman, Leah Konicki, and Tom Fiorin, City of Covington; Regina Smith, Paul McCowan, Kathy Slay, David Morris, and Tim Firkins, City of Louisville; Don Doyle, Louisville; James Everett, Fulton County Judge/Executive; Judy Poteat, City of Owensboro; Gene Stinchcomb, Department of Local Government; Albert Finley, Steven Bourne, and Wendell Wooton, City of Hopkinsville; Mike Haydon and Calvert Bratton, Revenue Cabinet; Bill Thielen, Kentucky League of Cities; J. R. Wilhite, Lexington-Fayette Urban-County Government; and Dee Baugh, Governor's Office for Policy and Management.

LRC Staff: Kathy Campbell, Bruce Smith, and Cheryl Walters.

Press: John Miller, Lexington Herald-Leader.

Upon the motion of Representative Sheehan, seconded by Senator Joe Meyer, the minutes of the October 24, 1990 meeting were approved.

The first item of business was a presentation by the Cabinet for Human Resources. Chairman Neal introduced Mr. John Hodgkin, Director of the Field Services Division, Department for Employment Services, and Mr. Joe Anderson, Director of the Unemployment Insurance Division.

Mr. Hodgkin began his presentation by telling the subcommittee

that he had been asked to give a description of the services that the Department for Employment Services provides under enterprise zone legislation. He noted that the Department for Employment Services has a network of 28 field offices across the state that have the responsibility of providing basic employment services and unemployment insurance services to job seekers and employers. Through a cooperative agreement, Mr. Hodgkin stated that the Department verifies employment information for the enterprise zone program. He said when a qualified business is identified and locates in a given area, the Department for Employment Services' field office has the responsibility for certification of eligible employees to meet the targeted workforce requirement for enterprise zone businesses.

Mr. Hodgkin stated that the Department for Employment Services' role was very simple in that they work with the employer to determine which of his employees meet the criteria for the targeted workforce. He said that the criteria is based on the fact that an employee must reside within the enterprise zone, have been unemployed at least 90 days prior to employment, or have been on some form of public assistance at least 90 days prior to employment. Mr. Hodgkin pointed out that the Department verifies the accuracy of either the individual's residence, unemployment status or public assistance status based on information through data records that they have available within the Cabinet. He said the Department then submits a written report to the Economic Development Cabinet with respect to the individuals that they have certified as eligible by qualified businesses, and that is where the Cabinet's responsibility ends. Mr. Hodgkin noted that the enterprise zone program offers an opportunity to the Department to have additional job openings listed that assists unemployed individuals find jobs, and the program can be used in conjunction with other services that the Department has available. He said what the Cabinet tries to do at the local level is to work with the employer in identifying employees that are eligible, in addition to assisting that employer through other training programs that are available from the state.

Mr. Hodgkin concluded his presentation by saying that the Department does not, at this point, maintain any particular records on the numbers of individuals that are certified for qualified businesses other than what is reported to the Economic Development Cabinet. Nor does the Department, at this point, track the individual beyond initial employment with the employer, however, Mr. Hodgkin noted that their responsibility is somewhat limited. He feels that his Department could play a more significant role in the process of certifying and monitoring employees for the enterprise zone program.

Senator Schmidt asked how difficult it would be to have some kind of follow-up to see how long these people from the targeted workforce stay employed. Mr. Hodgkin replied that there may be a means by which they could track employees through the unemployment insurance wage record data, assuming that the employer is paying unemployment insurance taxes on those employees. He said qualified businesses file quarterly wage reports listing the employees, and

perhaps there could be a way to access that data base and determine if particular individuals have worked previous quarters for that employer.

Chairman Neal noted that if someone left employment with a qualified business, the percentage from the targeted workforce would be lower. He asked if someone also was hired that qualified from this target group, could that be determined. Mr. Anderson said he did not believe so.

Representative Curtsinger asked if CHR has the total number of individuals hired from the targeted workforce that qualify for an enterprise zone business. Mr. Hodgkin said they do not. Representative Curtsinger commented that since there are only ten enterprise zones, information shouldn't be that hard to tract. Mr. Hodgkin said he agreed with Representative Curtsinger and recommended that the Cabinet for Human Resources and the Economic Development Cabinet work closer together on compliance issues, as well as issues of certification.

Representative Gray asked if there was any information sharing, regarding the number of employees, between the Revenue Cabinet and the Cabinet for Human Resources. Mr. Hodgkin said he was not aware of any requests by the Revenue Cabinet for any information that CHR would have on individuals certified as eligible for enterprise zone businesses.

The next item of business was a presentation by the State Enterprise Zone Authority. Chairman Neal introduced, Mr. James Poston, Chairman of the Authority, Authority Board Members Mr. Bill Johnson and Mr. Robert Buckingham, and Ms. Sara Bell, Coordinator of the Enterprise Zone Program with the Economic Development Cabinet.

Ms. Bell began the Authority's presentation by thanking the Subcommittee for their continued interest and support of the enterprise zone program. She stated that on a personal note, she feels that it is a good program. Ms. Bell noted that 37 states have enterprise zones and that Kentucky was a pioneer, being the third state to authorize the creation of enterprise zones. She said she recognizes the purpose of enterprise zones as being one type of economic development tool with jobs as the bottom line.

Ms. Bell referred the subcommittee members to a folder of materials which she had provided them. She pointed out that as of today, 1,488 businesses are located in Kentucky's ten enterprise zones, creating 18,159 new jobs. Ms. Bell stated that there has been \$1,702,627,148 in new capital investment within the ten enterprise zones. She said that the ten zones are vastly different, but that each one has been successful.

Ms. Bell stated that other than the businesses signing the agreement that they will hire qualified people, there is no follow-up to monitor compliance with retaining employees from the targeted workforce. She said the Authority will work with the Cabinet for Human Resources on developing a monitoring process.

Ms. Bell said she was concerned about not being able to tell the subcommittee how much the enterprise zone program is costing. She was pleased to report however, that an exchange of information agreement had been signed with the Revenue Cabinet and hopefully information on program costs could now be developed.

Ms. Bell told the subcommittee that she is working on legislative recommendations. Regarding the motor vehicle usage tax and luxury cars, she said she is considering the idea of putting some kind of a cap on it but, that proposal has not been considered or approved by the Authority. Ms. Bell noted that she does have one concrete recommendation, and that is to add the Secretary of the Revenue Cabinet and the Secretary of the Cabinet for Human Resources or their designees to the Board of the Kentucky Enterprise Zone Authority.

Representative Long commented that it was unfair that trucks are exempted from paying the motor vehicle usage tax because this tax helps maintain our state's highways.

Representative Gray stated that people that live in the enterprise zone should be given the opportunity to get jobs from qualified businesses.

Regarding the targeted workforce, Representative Harper said other than the initial hiring, companies are not required to maintain it. Ms. Bell stated that there is no reference in the statutes as to length of time a percentage of targeted employees must be maintained and said that issue needs to be clarified. Representative Harper stated that there needs to be clarity but there also needs to be some flexibility in this area of employment.

Representative Northup commented that the purpose of enterprise zones is to make an area attractive. She gave an example of a Louisville business that went into an enterprise zone with 15 employees and now has 40 employees. Representative Northup emphasized that when a business locates within an enterprise zone, support businesses and associated businesses will naturally follow and this means more jobs for the area.

Representative Curtsinger commented that Kentucky levies the third highest usage tax rate in the nation. He said the usage tax exemption should be expanded across the state to trucking companies, not just be limited to enterprise zone vehicles. Representative Curtsinger stated that the trucking industry is being taxed out of Kentucky and that is why Kentucky will probably lose a congressional seat.

Representative Callahan commented that he agrees with Representative Curtsinger that trucking companies are leaving the state. However, he said the motor vehicle usage tax is being abused and liked the idea of putting a cap on it.

Regarding the multi-billion dollar investment and where the

source of those figures were the initial applications that were submitted by businesses, Senator Joe Meyer asked if there had been any followup to confirm that capital investment commitments had been met. Ms. Bell said yes, on the existing business expansions, both on the local level and on the state level, that is being handled fairly well. But, she noted that with the new businesses and the targeted workforce, there needs to be a lot of work done on monitoring.

Senator Meyer also asked if the one billion dollar plus figure was adjusted downward to account for the certified businesses and others who are no longer in business. Ms. Bell said in most cases it was.

Concerning the cost of the enterprise zone program and the exchange of information agreement with the Revenue Cabinet, Senator Joe Meyer asked what kind of information the Authority is giving to the Revenue Cabinet, what are they doing with it, and is that information helpful in determining the taxes that have been abated. Ms. Bell said that exchange agreement was signed to give the two agencies a basis for their continuing dialogue on how would be the best way to address how much the program is costing. Ms. Bell commented that as soon as the Authority certifies a business, all of the pertinent information on the company goes to the Revenue Cabinet.

Mr. Bill Johnson suggested that there should be an exact definition of a luxury vehicle and noted that the IRS has a definition indexed in current tax law. He said that if the Subcommittee is concerned about reported abuses of the motor vehicle usage tax that perhaps prohibiting luxury vehicles from being eligible for the exemption would help.

Regarding the Revenue Cabinet's suggestion, from the October 24 meeting, to switch from the current exemption system to a tax credit system, Senator Joe Meyer asked Ms. Bell what the Department's reaction was to the Revenue Cabinet's suggestion. Ms. Bell said businesses will not feel as good about it if they have to let the state use their money, and then apply to get it back. Senator Meyer noted that a tax credit would give the state an accurate accounting of the amount of tax breaks that are distributed through the enterprise zone program.

Chairman Neal asked Ms. Bell how many people were on her staff. Ms. Bell said herself and a part-time secretary. Chairman Neal asked if that was adequate to carry out her duties as coordinator of the enterprise zone program. Ms. Bell stated that there will be additional staff when the Authority knows what future program requirements may be.

Chairman Neal asked Ms. Bell if it would be possible to do away with the motor vehicle usage tax and in its place use an employee tax credit as an incentive. Ms. Bell said she would hate to see the program lose the motor vehicle usage tax as an incentive. She stated that an employee tax credit might work for new businesses but that it would not be much of an incentive for existing businesses.

Chairman Neal asked if there was a process where zones are reviewed and could be de-certified to open up for a new zone if the zone is not meeting program guidelines. Ms. Bell said the Authority does have that power, but only if the enterprise zone has been designated ten years. She noted that at this time, no enterprise zone is ten years old.

Mr. James Poston commented that because this is a competitive program, that there was a problem in selecting the ten zones. He noted that some communities that did not receive a designation were disappointed. Mr. Poston said he was not suggesting that the legislature authorize the creation of additional zones, and was not suggesting that is the answer. But, he said there is an element of unfairness due to the competition between communities that has plagued him from the first day this program began back in 1982. Since designating the ten zones, Mr. Poston stated that the Authority has certified about 1500 businesses.

Mr. Robert Buckingham commented that he was in favor of the concept of enterprise zones being expanded for tourism.

Representative Callahan asked the Authority members if they saw enterprise zones as a economic development tool. All three gentlemen agreed that enterprise zones are an economic development tool.

Representative Stokes said the subcommittee would appreciate the Authority's legislative recommendations because the Subcommittee is not in a position to know what they know.

Chairman Neal thanked Ms. Bell and the Authority members for appearing before the subcommittee.

The last item of business was a presentation by the local enterprise zone administrators.

The first speaker was Mr. Rod Dittmer from Paducah. Mr. Dittmer said he wanted to take this opportunity to emphasize the importance of the enterprise zone program to economic development in the City of Paducah. He noted that this program has resulted, over the past four years, in \$5.6 million in capital investment and over 420 new jobs. Mr. Dittmer offered the following recommendations: (1) improve monitoring of the enterprise zone program by establishing a reporting system at both the state and local level; and (2) the incentives on sales and use taxes for capital investment in facilities, equipment, and vehicles should be retained (even if clarified to avoid abuse). He added that the exemption from motor vehicle usage tax was critical to his community as an incentive for businesses to locate in Paducah.

Ms. JoAnn Bell from Ashland was the next speaker. Ms. Bell said the enterprise zone program has been very advantageous to Ashland. She noted that it has helped keep Armco Steel in business and has maintained 4,000 jobs. She also noted that there are 54 businesses that are certified in the Ashland Enterprise Zone. Ms. Bell stated that the building materials exemption is especially important for

businesses that are located within the enterprise zone but that have not been certified to participate in the program.

The next speaker was Mr. Gil Lynn representing the Campbell County Enterprise Zone. Mr. Lynn said he would like to address some of the concerns he had heard members express during previous meetings. First he focused on the question, "Is an enterprise zone the sole reason a community brings in new business?" Mr. Lynn said the answer to that question is no, however, an enterprise zone is one type of tool that communities can use to foster economic development.

Secondly, Mr. Lynn addressed the question of how can the enterprise zone program be monitored. He noted that the way to monitor this program is to prepare a "P and L statement" that compares new taxes collected to taxes lost due to exemptions. Mr. Lynn presented information relating to a sample he had conducted on 18 businesses in the Campbell County Zone. Based upon the information collected from the sample, he projected fiscal information for all 86 businesses located in the Campbell County Zone over a 20 year period. According to Mr. Lynn's projections, the Campbell County Zone should experience a net gain of approximately \$50 million dollars over the life of the enterprise zone.

Mayor Denny Bowman, City of Covington, told the subcommittee that incentives relating to environmental issues would be helpful within enterprise zones.

Ms. Leah Konicki, Covington Enterprise Zone, stated that the City of Covington was in desperate need for revitalization and the enterprise zone program brought businesses in. She noted that the zone's boundaries had been expanded, but that this program had been vital to stemming the City of Covington's economic and employment problems.

The last speakers were Ms. Regina Smith and Mr. Don Doyle from Louisville. Ms. Smith stated that enterprise zones are a critical tool in bringing new businesses into Kentucky.

Mr. Doyle stated that the enterprise zone program provides a very useful and effective tool in increasing Louisville's ability to compete for new jobs.

Chairman Neal thanked the local zone administrators for appearing before the subcommittee and asked them to make written comments on the issues they have heard today. He apologized for the lack of time and the need to limit testimony, and invited the local administrators to attend the December meeting.

Chairman Neal announced that the next meeting would be December 10th, and that he had instructed staff to have a bill draft on enterprise zones ready for committee consideration.

There being no further business, the meeting was adjourned at 12:15 p.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Fifth Meeting
of the 1990-91 Interim

December 10, 1990

The fifth meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Monday, December 10, 1990, at 10:00 a.m., in Room 327 of the Capitol. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators Joe Meyer, Art Schmidt, Eugene Stuart, and Danny Meyer (Ex-Officio Member); and Representatives Denver Butler, Jim Callahan, Tony Curtsinger, Leonard Gray, Ken Harper, Bill Lear, Marshall Long, Carl Nett, Anne Northup, Marty Sheehan, and Susan Stokes.

Guests: Calvert Bratton, Revenue Cabinet; Sara Bell, Economic Development Cabinet; Sylvia Lovely, Kentucky League of Cities; Gene Stinchcomb, Department of Local Government; Leah Konicki, City of Covington; Debbie Boney, Lexington-Fayette Urban-County Government; Dee Baugh and Gina Hampton, Governor's Office for Policy and Management; and Paul McCowan, City of Louisville.

LRC Staff: Kathy Campbell, Mark York, and Cheryl Walters.

Upon the motion of Representative Callahan, seconded by Representative Harper, the minutes of the November 15, 1990 meeting were approved.

The first item on the agenda was old business. Chairman Neal noted that the Subcommittee ran out of time at its November 15th meeting for some local enterprise zone administrators to speak. He asked if there were any local zone administrators present today who wished to address the Subcommittee. There being none, Chairman Neal then asked Mr. Calvert Bratton, with the Revenue Cabinet, for a followup report on the issues the Subcommittee raised during its October meeting.

Mr. Bratton told the Subcommittee that he wanted to pass on some preliminary information on the various tax incentives given to enterprise zone businesses that the Revenue Cabinet promised to review. He said the only area he was prepared to address today was the area of the income tax provisions of the enterprise zone legislation. Out of the nearly 1500 businesses in Kentucky's ten enterprise zones, Mr. Bratton stated that only 70 businesses took advantage of the income tax breaks that were provided for in KRS

154.690. He noted that what is even more interesting is that 65 of the 70 businesses that received the tax advantage claimed the net operating loss carry forward. The ability to carry forward net operating losses for 20 years applies to any taxpayer, not just to individuals located within enterprise zones. Mr. Bratton said that the bottom line is that there are only five out of the 1500 businesses that really receive a direct benefit from the income tax break by being located in an enterprise zone.

Chairman Neal asked Mr. Bratton if he had a recommendation to make on this issue. Mr. Bratton suggested that the Subcommittee look at offering some other type of incentive rather than the income tax incentive, since obviously, it is not a true incentive. Mr. Bratton told the Subcommittee that the Revenue Cabinet should have a final report in a few weeks and would present their findings on enterprise zones as soon as possible.

The next item on the agenda was new business. Chairman Neal said the Subcommittee would discuss 92 RS BR 105, An Act relating to enterprise zones, that he had directed staff to prepare. He asked Ms. Kathy Campbell, LRC Staff, to give a section by section summary of BR 105.

Ms. Campbell stated that Section 1 establishes the purpose of the enterprise zone program, which is to revitalize economically depressed areas of the state. Senator Schmidt asked if the definition of an enterprise zone was being changed in this draft. Ms. Campbell said no, that the criteria for designating an enterprise zone has not been changed.

Representative Northup commented that by having guidelines that are so strict as to who a business is required to hire in an enterprise zone, that more land is built and attached to the enterprise zone to enable employers to hire from a larger workforce. She referred to a letter from Mayor Denny Bowman of Covington, which stated that the City of Covington had to add an area on to their enterprise zone because they could not find qualified people to hire to meet the technical needs of business. Representative Northup stated that if you want economic development in a depressed area and there are not a lot of skilled people, you have to attract only unskilled jobs, or you have to start broadening the definitions of an enterprise zone, or broaden the boundaries of the zone, so that you can reach out into other parts of the community where you can find more highly skilled employees. But, she said the problem is that the businesses start locating in the less depressed areas of the enterprise zone rather than in the most depressed areas. Representative Northup stated that she would like to see the enterprise zone restricted to the most depressed areas of a community and then lessen the requirements on who must be hired.

Representative Lear asked if he was correct in understanding that nothing new in the way of neighborhood improvement programs was being added. Ms. Campbell said he was correct.

Continuing with the summary of BR 105, Ms. Campbell stated that

Section 2 was the definition section. She noted that BR 105 amended the definitions of "existing business" and "qualified business," and creates new definitions for "establishment," "existing-new business," "local government," "new business," and "targeted workforce."

Representative Lear stated that the way the definition of a new business reads to him could be interpreted just to mean someone that starts doing business in the enterprise zone. He said the definition of "new business" needed to be more clear.

Representative Northup moved, seconded by Senator Schmidt, to insert appropriate language in subsection (5) and subsection (7) of Section 2 so that the definitions of "existing-new business" and "new business" would conform with the definition of "existing business" in subsection (4) of Section 2. The motion carried by voice vote. Staff was directed to insert language offered by Representative Lear.

Regarding the definition of "qualified property", Representative Callahan asked if it included business inventories. Ms. Sara Bell, coordinator of the state enterprise zone program, stated that the inventory of a business would be considered as real property under the definition of "qualified property."

The Subcommittee had several concerns regarding subsection (8), relating to the definition of "qualified business." Representative Lear suggested adding the words "and satisfying one of the following criteria" on page 3, line 24, before the colon; and on page 4, line 3, subparagraph (a), changing the word "and" to "or".

Senator Joe Meyer asked what the penalty was if an employer did not meet the hiring requirements of the targeted workforce. Ms. Campbell stated that currently there were no penalties if an employer does not meet the requirements.

Chairman Neal suggested that since there were so many concerns regarding subsection (8) of Section 2, that this subsection should be put on hold and the subcommittee would come back to it later.

Regarding the definition of "targeted workforce", Representative Lear commented that as subsection (11) is stated, employees can come from anywhere.

Representative Curtsinger commented that the targeted workforce should be restricted to residents of Kentucky.

Representative Lear agreed with Representative Curtsinger, and suggested leaving the definition of targeted workforce as is but require unemployed people to be residents of Kentucky.

Representative Curtsinger moved to change the word "and" to "or" on page 5, line 23 in subsection 11 of Section 2. The motion failed for lack of a second.

Senator Schmidt stated that the enterprise zone legislation cannot be cleaned up. He then moved, seconded by Representative Northup, to sunset the existing language and rewrite it from scratch. The motion failed by voice vote.

Representative Stokes moved, seconded by Representative Harper, to add the words "Kentucky resident" after the word "means" on page 5, line 21 in subsection 11 of Section 2, and to delete the word "individuals" on lines 22 and 24. The motion carried by voice vote. Staff was directed to include a definition of "Kentucky resident".

Ms. Campbell continued the summary of BR 105 by stating that Section 3 relates to the application for designation of an enterprise zone.

Regarding subsection (7) of Section 3, Representative Sheehan said he was concerned about the Enterprise Zone Authority giving first consideration for designation of an enterprise zone to local governments initially denied a zone designation.

Representative Long moved, seconded by Senator Joe Meyer, to delete subsection (7) in its entirety beginning on line 18 of Section 3. The motion carried by voice vote.

Ms. Campbell stated that Section 4 dealt with the procedures governing boundary changes. Representative Curtsinger commented that he saw no purpose in the wording "continuous boundary," in subsection (2), subparagraph (b) on line 11. He said that wording has caused problems.

Senator Joe Meyer moved, seconded by Representative Curtsinger, to delete subparagraph (b) in subsection (2) of Section 4 on page 9. The motion carried by voice vote.

Senator Joe Meyer also moved, seconded by Representative Curtsinger, to add the word "independently" after the word "amendment" on page 9, line 12 in subsection (2), subparagraph (c). The motion carried by a show of hands with 6 yeas and 4 nays.

Representative Curtsinger moved, seconded by Senator Schmidt, to delete subparagraph (a) in subsection (2) of Section 4, that requires any addition to an enterprise zone to be contiguous to the original zone boundaries. The motion failed by voice vote.

Ms. Campbell stated that Section 5, relating to areas eligible for designation as an enterprise zone, is included to make technical drafting changes. The Subcommittee made no additional changes to Section 5.

Ms. Campbell stated that Section 6 permits the creation of four additional enterprise zones by December 31, 1992, but requires that two of the new zones be designated in rural counties and one of the new zones must provide housing for low to moderate income persons and the homeless.

Representative Lear wondered why there has to be a finite number of enterprise zones.

Representative Northup commented that the whole state should be an enterprise zone.

Representative Lear commented that if we do not know what the fiscal impact of the enterprise zone program is, why are we proposing to increase the number of enterprise zones. He then moved, seconded by Senator Joe Meyer, to delete the proposed language authorizing the creation of four enterprise zones in subsection (1) of Section 6. The motion carried by voice vote.

Representative Stokes made the comment that all economic incentives for enterprise zones should be looked at as a whole and reviewed.

Ms. Campbell noted that lines 13-16 on page 14, subsection (5) of Section 6, needed to be deleted to conform to the previous amendment adopted by the subcommittee that deleted subsection (7) of Section 3. Senator Joe Meyer so moved, seconded by Representative Curtsinger. The motion carried by voice vote.

Ms. Campbell stated that Section 7 relates to the creation of the State Enterprise Zone Authority. She noted that BR 105 expands the State Authority from a nine member board to an 11 member board, and adds the Secretary of the Revenue Cabinet and the Secretary of the Cabinet for Human Resources or their designees.

Representative Sheehan moved, seconded by Representative Gray, to bracket and strike through lines 1-5 in subsection 2 of Section 7 on page 16. The motion carried by voice vote.

Representative Callahan asked what the intent was of the Authority meeting nine times a year. Ms. Campbell stated that they have been meeting nine or ten times a year.

Senator Joe Meyer stated that nine times was too much for the Authority to have to meet. He then moved, seconded by Representative Callahan, to change "9" to "4", as a minimum number of meetings, on page 16, line 6 in subsection 3 of Section 7. The motion carried by voice vote.

Senator Joe Meyer moved, seconded by Representative Curtsinger, to remove the brackets and strikethroughs to retain the language, "All members shall serve until such time as their successors are qualified and appointed", on lines 11 and 12 in subsection 3 of Section 7 on page 16. The motion carried by voice vote.

Representative Lear commented that there should be just one person to certify businesses within enterprise zones instead of a board. He asked Ms. Bell if she agreed with that position. Ms. Bell stated that she felt that it was preferable to have a board doing the certification rather than just one person.

Chairman Neal asked Ms. Bell if board members of the Authority were to be given a per diem, would that be an incentive for them to improve attendance at meetings. Ms. Bell said she felt like it would, since by receiving compensation for their efforts, the work of the Authority would seem to be more worthwhile.

Representative Lear moved, seconded by Representative Callahan, to add new language after line 12, in subsection 3 of Section 7 on page 16, to authorize members of the state enterprise zone authority to receive a per diem of \$100 with a maximum of \$1200 per calendar year, plus expenses to attend meetings. The motion carried by voice vote.

Ms. Campbell stated that Section 8 listed the powers and duties of the Authority.

Representative Curtsinger moved, seconded by Senator Schmidt, to change the time frame on the prohibition of certifying businesses found in subsection (5) of Section 8 on page 17, from the time of certification to when an application is submitted by a qualified business to the Authority. The motion failed by voice vote.

Representative Lear moved, seconded by Representative Gray, to delete the word "qualified" on line 19 in subsection (5) of Section 8 on page 17. The motion carried by voice vote.

Regarding subsection (5) of Section 8, Representative Sheehan asked if staff could be directed to clarify the term "being considered" on line 20, page 17. Chairman Neal said staff would be directed to do so.

Ms. Campbell stated that Section 9 related to the master business license, and that technical drafting changes had been made to this section. The Subcommittee made no additional changes to Section 9.

Ms. Campbell stated that Section 10 of BR 105 governed the tax exemptions of the enterprise zone program.

Senator Schmidt moved that the income tax exemption be deleted from the enterprise zone program. The motion failed for lack of a second.

Senator Joe Meyer moved, seconded by Senator Schmidt, to change from a system of giving a complete tax exemption to a system of giving a tax credit in order to better determine the fiscal impact of the enterprise zone program. The motion carried by a show of hands with 6 yeas and 3 nays.

Representative Northup asked if it would be a burden on the businesses to change to tax credit from an upfront exemption. Ms. Bell stated that there has been much opposition to changing to a tax credit because small businesses use money saved from the tax exemption to help with startup costs and the purchase of equipment.

Representative Stokes commented that it would be a hardship on businesses to pay taxes upfront and then apply for a credit.

Representative Callahan commented that it would be penalizing the businesses to change to a tax credit.

Mr. Bratton was asked to explain the income, sales, and usage tax provisions, and how the Revenue Cabinet currently collects data on enterprise zone businesses.

Chairman Neal directed staff to work with Mr. Bratton on a definition of a tax credit. Chairman Neal was briefly called out of the meeting and he asked Senator Joe Meyer to preside in his absence.

Senator Schmidt moved, seconded by Representative Lear, to delete the income tax exemption on the gains from the sale of qualified property within an enterprise zone in subsection (1) of Section 10. The motion carried by voice vote.

Senator Schmidt moved, seconded by Representative Northup, to delete the exemption from state taxes relating to interest payments on loans within an enterprise zone in subsection (2) of Section 10. The motion carried by voice vote.

The Subcommittee agreed to retain the sales tax exemption on building materials used in remodeling, rehabilitation, or new construction within an enterprise zone.

Discussion focused on subsection (4)(a), with Representative Lear questioning the reason for the language defining how equipment and machinery may be used in an enterprise zone.

Representative Stokes moved, seconded by Representative Northup, to delete subparagraph (a) of subsection (4) on lines 3-6. The motion carried by voice vote.

Senator Schmidt moved, seconded by Representative Lear, to delete the motor vehicle usage tax exemption from the enterprise zone program. The motion failed by voice vote.

Regarding subsection (5)(a) of Section 10 governing motor vehicle usage tax, Representative Callahan stated that this subsection needed to clarify the definition of a passenger vehicle.

Representative Curtsinger moved, seconded by Representative Northup, to delete line 17 in its entirety after the word "transportation", and to delete line 18 in its entirety, and on line 19, to delete "1,000 pounds" in subparagraph (a) of subsection (5). The motion carried by voice vote.

Representative Stokes moved, seconded by Representative Curtsinger, on line 13 in subsection (5), to add after the word "used" the term "solely for business purposes". The motion carried by voice vote.

Representative Curtsinger moved, seconded by Representative Callahan, to retain the \$15,000 limit on the motor vehicle usage tax exemption for cars and to delete subparagraph (b) in its entirety in subsection (5). The motion carried by voice vote.

Regarding subsection (6) of Section 10, which retains the provision that prohibits leased vehicles from receiving an exemption on usage tax, Representative Callahan commented that if someone, for example, leases a car for two years and can buy the car for \$8,000 at the end of the lease, the person who is leasing that car has one obligation--either to give the leasing company \$8,000 or to turn the car back over and let the leasing company sell it, and anything under \$8,000, that company has to make up the difference.

Senator Joe Meyer stated that the provisions in subsection (6), which prohibit leased vehicles from being exempt from paying usage tax are existing law and were added a couple of years ago to deal with rent-a-car agencies.

Senator Neal returned to the meeting and resumed presiding as chairman.

Representative Callahan asked if you term a lease purchase the same as a straight out lease. Ms. Campbell replied that it is her understanding that any vehicle that is leased for longer than 90 days, regardless of whether it is a lease purchase, is not eligible for the exemption from paying motor vehicle usage tax.

Representative Callahan pointed out that there was a recent Board of Tax Appeals case where a business called Caldwell Tank was doing what he had just mentioned. He noted that the Board of Tax Appeals ruled that in essence, Caldwell Tank was paying a leasing company and at the end of the lease they owned the truck, therefore, the truck was exempt from paying usage tax.

Due to the lateness of the hour, the Subcommittee decided to finish discussing 92 RS BR 105 at its next meeting on December 19.

Staff was directed to incorporate the changes adopted today into BR 105 and to send out a revised draft prior to the December 19th meeting.

There being no further business, the meeting was adjourned at 1:40 p.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Sixth Meeting
of the 1990-91 Interim

December 19, 1990

The sixth meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Wednesday, December 19, 1990, at 10:00 a.m., in Room 327 of the Capitol. Senator Joe Meyer called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators Joe Meyer, Art Schmidt; and Representatives Denver Butler, Jim Callahan, Tony Curtsinger, Ken Harper, Bill Lear, Carl Nett, Anne Northup, Kenny Rapier, Marty Sheehan, and Susan Stokes.

Guests: Senator Bill Clouse, Richmond; Calvert Bratton, Revenue Cabinet; Sara Bell and Gina Hampton, Economic Development Cabinet; Gene Stinchcomb, Department of Local Government; Bill Thielen, Kentucky League of Cities; Debbie Boney, Lexington-Fayette Urban-County Government; J. David Morris, Tim Firkins, Regina Smith, and Paul McCowan, City of Louisville; and Dee Baugh, Governor's Office for Policy and Management.

LRC Staff: Kathy Campbell, Bruce Smith, and Cheryl Walters.

Press: John Winn Miller, Lexington Herald-Leader and Mark Chellgren, Associated Press.

Upon the motion of Representative Sheehan, seconded by Senator Schmidt, the minutes of the December 10, 1990 meeting were approved.

Senator Joe Meyer announced that he would temporarily be chairing the meeting until Senator Neal arrived.

Senator Meyer stated that the Subcommittee would continue its discussion of 92 RS BR 105, An Act relating to enterprise zones and making an appropriation therefore. He noted that due to the lateness of the hour, the Subcommittee was unable to finish discussing BR 105 at its December 10th meeting.

Senator Meyer told the Subcommittee that they would first discuss Section 10 of the bill that governs the tax exemptions of the enterprise zone program. He noted that at the December 10th meeting, the Subcommittee voted to change from a system of giving a complete tax exemption to a system of giving a tax credit. Senator Meyer stated that the Revenue Cabinet supports maintaining the tax

exemption system. He asked Mr. Calvert Bratton, with the Revenue Cabinet, to tell the Subcommittee why Revenue supports a tax exemption instead of a tax credit, which they had previously endorsed.

Mr. Calvert explained that after reviewing the change from a tax exemption system to a tax credit system, it would be easier to obtain fiscal data by adding a "sales to qualified enterprise zone businesses" line on the sales and use tax exemption certificate completed monthly by businesses. He referred members to a proposed amended copy of the sales and use tax exemption certificate included in their folders. Mr. Bratton noted that it would be no trouble to turn an income tax exemption into a tax credit, but he said you cannot easily take or administer a credit from sales tax and motor vehicle usage tax.

Representative Curtsinger asked Mr. Bratton if the "other (specify)" line on this certificate could be used to record sales to qualified enterprise zone businesses. Mr. Bratton stated that someone might have a lot of "other" and it would be hard to distinguish exempt sales to an enterprise zone business unless they are separated out of the "catch all" category of "other".

Senator Meyer pointed out that the purpose of changing to a tax credit system was to determine the fiscal impact of the enterprise zone program. He asked the Subcommittee what they wanted to do since it appeared that the fiscal information could be collected and maintain the tax exemption system.

Representative Curtsinger moved, seconded by Senator Schmidt, to revert from the tax credit system adopted at the December 10th meeting to a tax exemption. The motion carried by voice vote.

Representative Callahan asked if the method of collecting sales and use tax would change. Mr. Bratton said it would not.

Regarding Section 13, subsection (3), which requires the Revenue Cabinet to develop its revenue circulars in a duplicate format so that fiscal information may begin to be collected, Senator Meyer pointed out that this language was no longer necessary.

Senator Schmidt moved, seconded by Representative Harper, to delete the provisions of subsection (3) in Section 13, pages 27 and 28 requiring duplicate revenue circulars, and insert in lieu thereof, a conforming requirement that the Revenue Cabinet amend its sales and use tax exemption certificate to collect information on enterprise zone businesses. The motion carried by voice vote.

Referring back to Section 10, subsection (5), on page 21, Senator Meyer stated that the \$15,000 limit on the motor vehicle usage tax exemption for cars needed to be changed to \$30,000 to conform with federal tax guidelines.

Senator Schmidt wondered why the motor vehicle usage tax exemption was needed at all because it was not fair that ar

enterprise zone business should get a break when no one else does.

Representative Callahan said he disagreed with Senator Schmidt noting that the motor vehicle usage tax exemption may make a difference and be the deciding factor of whether a business locates in Kentucky.

Senator Schmidt commented that he did not believe a business will locate within an enterprise zone solely because of the motor vehicle usage tax exemption because there are too many other incentives offered under other programs.

Representative Butler commented that it is a combination of incentives that gets a business to locate in any area, not just one incentive. He said we need to give business every possible break.

Representative Northup commented that a majority of small businesses do not even have cars registered to their employees. She said if it is jobs we are after, then give the businesses a credit to keep them here. Representative Northup stated that currently this program offers a hodge-podge of tax breaks that some businesses may get and others may not.

Representative Sheehan wondered that if the motor vehicle usage tax exemption is raised to conform with the federal tax definition for a luxury car, and the federal definition changed, would we be able to change also. Senator Meyer stated that we are raising the exemption to conform with the federal tax definition so that if the federal definition changes we can change also.

Representative Curtsinger commented that he thought it was a good concept to change to the federal definition because if we are going to have the motor vehicle usage tax exemption, it should be at the federal level or not at all.

Representative Stokes commented that a \$15,000 limit on the motor vehicle usage tax exemption for cars is plenty.

Representative Callahan moved, seconded by Representative Butler, on lines 12 and 13 of Section 10, subsection (5) on page 21, to raise the motor vehicle usage tax exemption from \$15,000 to \$30,000 of the retail price of the vehicle. The motion carried by voice.

Senator Meyer stated that discussion would continue on Section 11 through 15 of BR 105. He asked Ms. Kathy Campbell to summarize the sections.

Ms. Campbell noted that changes to Sections 1 through 10 from the December 10th meeting have been incorporated into the draft of BR 105 being discussed at today's meeting.

Ms. Campbell stated that Section 11 repeals the current provisions of KRS 154.695, governing exemptions from administrative regulations, and reenacts the statute to establish a procedure

governing the "crossing over" of businesses into an enterprise zone for the single purpose of receiving tax advantages.

Representative Harper referred to a letter from Ms. Sara Bell, Enterprise Zone Program Coordinator with the Economic Development Cabinet, which recommended that Section 11 be deleted. Ms. Bell noted that after consulting with local Enterprise Zone administrators and the members of the State Enterprise Zone Authority, it was recommended that Section 11 be deleted in its entirety.

Representative Harper so moved to delete Section 11 in its entirety, seconded by Senator Schmidt. The motion carried by voice vote.

Ms. Campbell stated that Section 12 related to neighborhood enterprise association corporations, and that technical drafting changes had been made to this section. The Subcommittee made no additional changes to Section 12.

Ms. Campbell stated that Section 13 requires the Revenue Cabinet to initiate contact and fully cooperate with the Enterprise Zone Authority to collect information designed to determine the fiscal impact of tax exemptions on state revenues.

Representative Harper pointed out that Ms. Bell had a concern with Subsection (2)(b) regarding information on the fiscal impact of enterprise zone tax exemptions on state revenues. Ms. Bell said she was concerned that a system be developed to balance out money gained from the enterprise zone program in addition to focusing only on program "costs". She said that this issue would be something the two Cabinets could deal with through internal policy.

The Subcommittee made no additional changes to Section 13.

Ms. Campbell stated that Section 14 creates a new section of KRS Chapter 154 to require the Cabinet for Human Resources to verify employment information from qualified businesses, and cooperate with the Authority to develop a system to monitor employment information. The Subcommittee made no additional changes to Section 14.

Ms. Campbell stated that Section 15 was an appropriation section added after the December 10th meeting when the Subcommittee approved per diem compensation for state authority members.

Senator Joe Meyer stated that the Subcommittee would now discuss Ms. Bell's concerns regarding 92 RS BR 105.

Ms. Bell suggested that in Section 2, subsection (5) on page 3, to delete lines 8-15, which is the definition of an "existing-new business". Representative Harper moved, seconded by Representative Curtsinger, to delete the definition of "existing-new business" in its entirety and to make conforming changes throughout the bill. The motion carried by voice vote.

Regarding Section 2, subsection (7), on page 3, Representative Callahan moved, seconded by Representative Harper, that on line 20, after the word "business", to delete "at a locality outside" and insert in lieu thereof the word "in". The motion carried by voice vote.

In Section 2, subsection (8)(b) on page 4, Ms. Bell supported deleting the new language beginning on line 25 and ending on page 5, line 2. After considerable discussion, Representative Lear moved, seconded by Representative Curtsinger, to delete the new language on lines 25 and 26 on page 4 and lines 1 and 2 on page 5, and insert in lieu thereof, "businesses which are certified based upon an increase in employees shall employ at least 25% of new employees from the targeted workforce". The motion carried by voice.

Senator Schmidt commented that there should be a limit on capital investment for enterprise zone businesses. Senator Joe Meyer asked Senator Schmidt if he would develop language addressing his concerns for the next meeting.

In Section 2, subsection (11)(a), Ms. Bell suggested to substitute "or" for "and" on page 6, line 1. Representative Butler so moved, seconded by Representative Sheehan. The motion carried by voice vote.

In Section 2, subsection 11(c) on page 6, Ms. Bell supported deleting lines 7-9, that define "Kentucky resident".

Representative Callahan asked what the time frame was before a person would qualify for welfare benefits if they move in from another state. Ms. Campbell stated that there is usually a 30 day limit. She noted that in defining "Kentucky resident", she used the guidelines established by the Kentucky Constitution for voting eligibility.

Representative Callahan suggested that a Kentucky resident be defined as a person who has resided in the Commonwealth for at least ninety days instead of one year.

Representative Callahan then moved, seconded by Representative Sheehan, to delete "one year" and insert in lieu thereof "90 days" on line 9 of page 6. The motion carried by voice vote.

In Section 7, subsection (3) on page 15, Representative Lear moved, seconded by Senator Neal, to delete "quorum" and insert in lieu thereof "majority" on line 22. The motion carried by voice vote.

In Section 10, subsection (1) on page 20, Representative Sheehan moved, seconded by Representative Harper, to delete "qualified" and insert in lieu thereof "new" on line 12. The motion carried by voice vote.

Representative Lear moved, seconded by Representative Sheehan, that on page 20, line 12 before the word "business", to insert "or an existing business qualified on the basis of employee expansion".

The motion carried by voice vote.

In Section 10, subsection (3) on page 21, Representative Harper moved, seconded by Representative Callahan, to add "in addition" before the word "it" on line 1. The motion carried by voice.

Senator Joe Meyer announced that the Subcommittee would need to meet again and would have to ask the chairmen of the full Cities Committee for an extension to continue its work.

There being no further business, the meeting was adjourned at 12:00 p.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Seventh Meeting
of the 1990-91 Interim

January 8, 1991

The seventh meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Tuesday, January 8, 1991, at 10:00 a.m., in Room 327 of the Capitol. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators David Karem, Joe Meyer, Art Schmidt; and Representatives Ken Harper, Marshall Long, Marty Sheehan, and Susan Stokes.

Guests: Sara Bell and Gina Hampton, Economic Development Cabinet; Albert Finley, City of Hopkinsville; Regina Smith, Paul McCowan, and J. David Morris, City of Louisville; Clay Snedegar, Revenue Cabinet; and Debbie Boney, Lexington-Fayette Urban-County Government.

LRC Staff: Kathy Campbell, Kyna Koch, and Cheryl Walters.

Press: John Winn Miller, Lexington Herald-Leader.

Upon the motion of Representative Harper, seconded by Representative Long, the minutes of the December 19, 1990 meeting were approved.

Chairman Neal stated that the purpose of the meeting was to continue the discussion of 92 RS BR 105, An Act relating to enterprise zones and making an appropriation therefore.

Representative Stokes expressed concern over the philosophical provisions of BR 105. She suggested meeting at a later time when the absent members could be in attendance.

Representative Long, as of this date, still had concerns regarding the motor vehicle usage tax exemption. He stated that he was not prepared to vote on BR 105 at this time.

Senator Joe Meyer moved, seconded by Representative Stokes, to adjourn the meeting until a later date. The motion carried by voice vote.

There being no further business, the meeting was adjourned at 10:15 a.m.

INTERIM JOINT COMMITTEE
ON CITIES

Subcommittee on
Enterprise Zones

Minutes of the Eighth Meeting
of the 1990-91 Interim

January 30, 1991

The eighth meeting of the Subcommittee on Enterprise Zones of the Interim Joint Committee on Cities was held on Wednesday, January 30, 1991, at 11:00 a.m., in Room 104 of the Capitol Annex. Senator Gerald Neal, Chairman, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Gerald Neal, Chairman; Senators David Karem, Joe Meyer, Art Schmidt; and Representatives Denver Butler, Jim Callahan, Ken Harper, Bill Lear, Marshall Long, and Bill Donnermeyer (Ex-Officio Member).

Guests: Representatives Gex Williams and Tom Burch; Peggy Satterly and Bob Leonard, Department of Local Government; Debbie Boney, Lexington-Fayette Urban-County Government; Sara Bell and Gina Hampton, Economic Development Cabinet; Calvert Bratton, Revenue Cabinet; Paul McCowan, David Morris and Tim Firkins, City of Louisville; Bill Thielen, Kentucky League of Cities; Greg Dearing, Jefferson County Judge/Executive's Office; Washington County High School Student Group; and Dee Baugh, Governor's Office for Policy and Management.

LRC Staff: Kathy Campbell, Terry Jones, Kyna Koch, and Cheryl Walters.

Press: Bob Gieger, Lexington Herald-Leader.

Upon the motion of Representative Long, seconded by Representative Butler, the minutes of the January 8, 1991 meeting were approved.

Chairman Neal welcomed a group of students from Washington County High School who were present in the audience.

Chairman Neal stated that the purpose of today's meeting was to finish discussing 1992 RS BR 105, An Act relating to enterprise zones and making an appropriation therefor.

Representative Long commented that he is opposed to the motor vehicle usage tax exemption found in Section 10 of this bill. He said businesses are moving into enterprise zones solely to evade paying the motor vehicle usage tax, which results in unfair competition and an unfair advantage against similar businesses that

cannot locate within a zone.

Representative Callahan asked Mr. Calvert Bratton, with the Revenue Cabinet, if the sales and use tax return was being amended to collect information on enterprise zones. Mr. Bratton stated that line 17 of the Cabinet's sales and use tax return would be changed to add "sales for qualified enterprise zone business."

Representative Donnermeyer said he wanted to make sure he understood Representative Long's opposition to a motor vehicle usage tax exemption. Representative Long stated that he was not against the other tax exemptions provided by this program, that enterprise zones have provided jobs and revitalization to distressed areas. However, Representative Long emphasized that the motor vehicle usage tax is used to maintain roads and enterprise zone businesses should not be exempt. Representative Donnermeyer said he agreed with Representative Long.

Senator Karem asked what the subcommittee decided to do about the issue of luxury cars being eligible for usage tax exemptions. Chairman Neal stated that the members wanted to place a cap on the motor vehicle usage tax and the exemption was raised from \$15,000 to \$30,000 of the retail price of the vehicle. Senator Karem stated that in his opinion, \$18,000 or \$20,000 would be enough of an exemption to offer businesses.

Senator Joe Meyer told Senator Karem that the motor vehicle usage tax exemption was raised to \$30,000 to conform with federal tax guidelines. Senator Karem commented that you can get a pretty luxurious automobile for \$30,000.

Senator Schmidt said he agreed with Representative Long that enterprise zone businesses should not be exempt from the motor vehicle usage tax. He said the enterprise zone program is being abused and is not helping depressed or blighted areas. Senator Schmidt suggested that this subcommittee recommend to the full Cities Committee to go back to step one and start over to decide what the purpose of enterprise zones are before rushing into this bill draft. He said he felt that enterprise zones should help the inner cities and depressed areas.

Chairman Neal asked if any members had any sweeping problems with the bill besides Representative Long and Senator Schmidt.

Senator Karem stated that he thought the purpose of this bill was to tighten up the problems with abusing tax exemptions. He said he was still concerned about the luxury cars being exempt from motor vehicle usage tax.

Ms. Sara Bell, Coordinator of the Enterprise Zone Program with the Economic Development Cabinet, told Senator Karem that the cost of cars that had been run through the enterprise zone program had been reviewed and it was found that most cars were running between \$18,000 and \$22,000. She said it was to be \$22,000 originally, but the Revenue Cabinet thought there should be some kind of index tied

to the federal definition that would be satisfactory.

Senator Karem moved to amend Section 10, subsection (5) of 92 RS BR 105 on pages 20 and 21, by deleting "\$30,000" and inserting in lieu thereof, "\$20,000". The motion failed for lack of a second.

Senator Schmidt moved, seconded by Representative Long, to delete "\$30,000" and insert in lieu thereof, \$0 in Section 10, subsection (5) on pages 20 and 21 of BR 105. The motion failed by a show of hands with 4 yeas and 4 nays.

Representative Long moved, seconded by Representative Donnermeyer, to delete subsections (4) and (5) of Section 10 on pages 20 and 21. The motion failed by a show of hands with 3 yeas and 4 nays.

Representative Lear moved, seconded by Senator Karem, to delete "\$30,000" and insert in lieu thereof, "\$20,000" on line 26 of page 20 and line 1 on page 21 in Section 10, subsection (5). The motion carried by voice vote.

Representative Donnermeyer asked Ms. Bell to provide information to the full Cities Committee on the number of vehicles using the motor vehicle usage tax exemption, success stories, and abuses. Ms. Bell said she would provide the information to the Committee.

Representative Long moved, seconded by Senator Schmidt, to add the words "limited to the first \$20,000 of the retail price of the vehicle" on line 22, on page 20, Section 10, subsection (4). Senator Joe Meyer stated that he was against the motion because United Parcel Service benefits from the motor vehicle usage tax exemption on commercial vehicles. The motion failed by voice vote.

Chairman Neal asked Ms. Kathy Campbell, LRC Staff, to discuss proposed language relating to an employer tax credit for qualified businesses within an enterprise zone.

Chairman Neal moved, seconded by Senator Schmidt, to include a new subsection (7) on page 21, between lines 7 and 8, which reads as follows: "A qualified business shall receive a tax credit equal to ten percent (10%) of wages paid to each targeted workforce employee up to \$1500 per employee. Any unused credit may be carried forward for up to five (5) years." The motion carried by voice vote.

Senator Schmidt asked what the definition was of a targeted workforce. Ms. Campbell said that targeted workforce means Kentucky residents who reside within an enterprise zone, or individuals who have been unemployed for at least 90 days or individuals who have received public assistance benefits for a least 90 days prior to employment with a qualified business.

Senator Schmidt commented that regardless of where a person lives or works, they should still get a break.

Representative Lear moved, seconded by Representative Harper, to amend Chairman Neal's motion by deleting the words "targeted workforce" and inserting after the word "employee", the language in Section 2, subsection (9)(b), lines 16-20 on page 5. The motion carried by voice vote.

Senator Joe Meyer commented that 92 BR 105 is an improvement over what is on the books now. He noted that studies from two different states showed that enterprise zones did not create jobs. Senator Meyer stated that we need to find out the overall fiscal impact of Kentucky's enterprise zones. He suggested that the subcommittee recommend to the full Cities Committee to contract with the University of Louisville's School of Urban Policy to conduct a study on the impact of Kentucky's enterprise zones.

Senator Karem suggested that the full Cities Committee request LRC to contract with the University of Louisville to conduct such a study. The subcommittee members concurred.

Senator Karem moved, seconded by Senator Joe Meyer, that the amendments that had been adopted be incorporated into 92 BR RS 105. The motion carried by voice vote.

Senator Karem then moved, seconded by Representative Callahan, to report 92 BR RS 105, as amended, to the full Cities Committee. The motion carried by voice vote.

Senator Joe Meyer moved, seconded by Senator Karem, to recommend to the full Cities Committee that the LRC be asked to contract with the University of Louisville's School of Urban Policy for the purpose of conducting a study on the fiscal impact of the enterprise zone program. The motion carried by voice vote.

There being no further business, the meeting was adjourned at 11:50 a.m.

KENTUCKY
LEGISLATIVE RESEARCH COMMISSION

1990 - 91 INTERIM

92 BR 105 - PREFILED

November 12, 1991

The following bill was prefiled for the Interim Joint Committee on Cities with a recommendation for passage: Representatives William I. Donnermeyer, Jim Callahan and Ken Harper.

Paid for from state funds

AN ACT relating to enterprise zones and making an appropriation therefor.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

1 Section 1. KRS 154.650 is amended to read as follows:

2 The General Assembly hereby finds and declares that
3 the purpose of the enterprise zone program is to
4 revitalize economically depressed areas of the state. It
5 is the intent of the General Assembly to achieve this
6 purpose by adhering to the following goals:

7 (1) Improve the quality of life of individuals that
8 reside within an enterprise zone by providing employment
9 opportunities, job training, and neighborhood improvement
10 programs;

11 (2) Encourage economic activity by assisting and
12 maintaining existing business within an enterprise zone;

13 (3) Encourage economic activity by stimulating the
14 influx of new business within an enterprise zone; and

15 (4) Eliminate blighted and deteriorated areas within
16 an enterprise zone that feature chronic abandonment or
17 demolition of residential or commercial structures or
18 property. [The General Assembly hereby finds and declares
19 that the health, safety and welfare of the people of
20 Kentucky are enhanced by the continual encouragement/

1 development, growth and expansion of private enterprise
 2 within this Commonwealth. There are certain economically
 3 depressed areas in the Commonwealth that need particular
 4 attention to create new jobs, stimulate economic activity
 5 and attract private sector investment rather than
 6 government subsidy to improve the quality of life of their
 7 citizens. It is the purpose of KRS 154.655 to 154.705 to
 8 encourage new economic activity in these depressed areas
 9 of the Commonwealth by means of reduced taxes and the
 10 removal of unnecessary governmental barriers to the
 11 production and earning of wages and profits and the
 12 creation of economic growth.]

13 Section 2. KRS 154.655 is amended to read as follows:

14 As used in KRS 154.660 to 154.705, unless the context
 15 otherwise requires:

16 (1) "Authority" means the Enterprise Zone Authority
 17 of Kentucky;

18 (2) "Enterprise zone" means an area designated [of
 19 the Commonwealth declared] by the authority to be
 20 eligible for the benefits of KRS 154.660 to 154.705;

21 (3) "Establishment" means a single physical location
 22 where business is conducted or where services or
 23 industrial operations are performed ["New business" means
 24 any person, corporation or other entity who after the time
 25 of designation of an enterprise zone becomes engaged in
 26 the active conduct of a trade or business within that

1 zone];

2 (4) "Existing business" means a [any] person,
3 corporation, or other entity [who during the time of
4 designation of an enterprise zone is already] engaged in
5 the active conduct of a trade or business at a location
6 within the enterprise zone prior to the date the authority
7 designated the area as an enterprise zone;

8 (5) "Local government" means a city, county,
9 urban-county government, or charter county government;

10 (6) "New business" means a person, corporation, or
11 other entity who was not engaged in the active conduct of
12 a trade or business in the enterprise zone prior to the
13 date the authority designated the area as an enterprise
14 zone, and who becomes engaged in the active conduct of a
15 trade or business within the enterprise zone after the
16 date the authority designated the area as an enterprise
17 zone;

18 (7)[(5)] "Qualified business" means an existing
19 business or new business that has been certified by the
20 authority to have [any new or existing business with] at
21 least fifty percent (50%) of its employees performing
22 substantially all of their services within an enterprise
23 zone and meeting one (1) of the following criteria:

24 (a) With a new business employing [individuals from
25 one (1) or more of the following three (3) categories
26 constituting] at least twenty-five percent (25%) of the

1 business's employees from the targeted workforce; or [;

2 1/ Residents of an enterprise zone;

3 2/ Individuals who have been unemployed for at least
4 ninety (90) days prior to obtaining employment with the
5 business;

6 3/ Individuals who have received public assistance
7 benefits, based on need and intended to alleviate poverty,
8 for at least ninety (90) days prior to obtaining
9 employment with the business; or]

10 (b) With an existing business creating new activity
11 within the enterprise zone of not less than a twenty
12 percent (20%) increase in the number of employees or by a
13 twenty percent (20%) increase in capital investment within
14 eighteen (18) months from the date of application for
15 certification as a qualified business. Businesses that are
16 certified based upon an increase in employees shall employ
17 at least twenty-five percent (25%) of the new employees
18 from the targeted workforce. [;

19 (c) Any subsidiary or franchise of a new or existing
20 business may apply to the authority for certification as a
21 qualified business, if the subsidiary or franchise is site
22 specific to the enterprise zone and maintains separate
23 bookkeeping for business activity conducted within the
24 enterprise zone;

25 (6) "Qualified property" means:

26 (a) Any Tangible personal property located in an

1 enterprise zone used predominantly by the taxpayer in the
2 zone in the active conduct of a trade or business; and

3 (b) Any Real property located in such zone which:

4 1/ Was used predominantly by the taxpayer in the
5 active conduct of a trade or business; or

6 2/ Was the principal residence of the taxpayer on
7 the date of the sale or exchange;

8 (c) Any Interest in a corporation, partnership, or
9 other entity if, for the most recent taxable year of such
10 entity ending before the date of the sale or exchange,
11 such entity was a qualified business; and]

12 (8)[(7)] "Qualified employee" means an [any]
13 employee of [who works for] a qualified business; and

14 (9) "Targeted workforce" means Kentucky residents:

15 (a) Who reside within an enterprise zone; or

16 (b) Who have been unemployed for at least ninety
17 (90) days or who have received public assistance benefits,
18 based on need and intended to alleviate poverty, for at
19 least ninety (90) days prior to employment with a
20 qualified business.

21 (c) For the purpose of this subsection, "Kentucky
22 resident" means a person who has resided in the
23 Commonwealth for at least ninety (90) days.

24 Section 3. KRS 154.660 is amended to read as follows:

25 (1) A local government may, [Any city, county or
26 urban+county government] by act of the local legislative

1 body, [may] designate an [any] area [of areas]
 2 within its [their] jurisdiction to be an economically
 3 depressed area. The local government [such city/ county
 4 of urban+county government] may then make written
 5 application to the authority to have the [such] area
 6 [of areas] declared to be an enterprise zone. The
 7 [such] application shall include a description of the
 8 location of the area [of areas in question] and [such]
 9 other information [as] the authority may require.

10 (2) Two (2) or more local governments [cities/
 11 counties/ urban+county governments or any combination
 12 thereof/] may, by an act of each respective legislative
 13 body, designate an [any] area [of areas] within their
 14 collective jurisdictions to be an economically depressed
 15 area. After each local government [jurisdiction] has
 16 enacted the proper ordinances designating the area [of
 17 areas] to be economically depressed for the purpose of
 18 applying to the authority for designation as an enterprise
 19 zone, each legislative body shall enter into an interlocal
 20 governmental agreement. The agreement shall be governed by
 21 the provisions of the interlocal cooperation act, KRS
 22 65.210 to 65.300, and shall include:

23 (a) The establishment of a joint board to administer
 24 the enterprise zone that [which] shall be comprised of
 25 representatives from each local government
 26 [jurisdiction];

1 (b) A statement establishing the joint board for the
2 life of the enterprise zone;

3 (c) A statement establishing uniform local
4 incentives that [which] shall be offered by each local
5 government [jurisdiction];

6 (d) A statement establishing financial support by
7 each local government [jurisdiction] for the
8 administration of the joint board; and

9 (e) [Any] Other requirements that [which] may be
10 established by the authority.

11 (3) A local government [Any jurisdiction] with an
12 existing enterprise zone may apply to the authority to
13 amend the boundaries of the existing zone for the purpose
14 of joining with other local governments [jurisdictions].
15 A local government [Any governmental unit] applying to
16 cross jurisdictional boundaries to amend the area of an
17 enterprise zone shall comply with the provisions of
18 subsection (2) of this section and KRS 154.662.

19 (4) Upon [After] approval of the interlocal
20 governmental agreement pursuant to KRS 65.210 to 65.300,
21 two (2) or more local governments [jurisdictions] may
22 [then] make written application to the authority to have
23 the [such] area [or areas] declared [to be] an
24 enterprise zone. The [such] application shall include a
25 description of the area [or areas in question] and
26 [such] other information [as] the authority may

1 require.

2 (5) Upon receipt of an application, the authority
3 shall review the application to determine if [~~whether~~]
4 the area [~~of areas~~] described in the application
5 qualifies [~~qualify~~] to be designated an enterprise zone.

6 (6) The authority shall complete its review within
7 one hundred twenty (120) days of receipt of the
8 application, but may extend this time period an additional
9 sixty (60) days if necessary. If the authority denies the
10 application, it shall inform the [~~unit of~~] local
11 government of the fact in writing along with [~~the~~]
12 reasons for the denial.

13 Section 4. KRS 154.662 is amended to read as follows:

14 (1) A local government may make written application
15 to the authority for purposes of amending the boundaries
16 of an existing enterprise zone. A boundary change
17 [~~changes~~] to an existing enterprise zone [~~zones~~] shall
18 not become effective until after written approval has been
19 granted by the authority.

20 (2) A local government applying to the authority for
21 an amendment to the boundaries of an existing enterprise
22 zone shall certify in writing the following information:

23 (a) The proposed area for amendment is contiguous to
24 the existing zone;

25 (b) The proposed area for amendment independently
26 meets the requirements established by Section 5 of this

1 Act; and

2 (c) A statement documenting the reasons the local
 3 government is seeking to amend the boundaries of its
 4 existing enterprise zone. A detailed map showing original
 5 boundary lines and proposed boundary line changes shall be
 6 attached to the application [Any jurisdiction applying to
 7 the authority for any amendment to the boundaries of an
 8 existing enterprise zone shall certify the proposed area
 9 for amendment is contiguous to the existing zone].

10 (3) [The jurisdiction applying for an amendment to
 11 the boundaries of an existing enterprise zone shall submit
 12 an application under the same guidelines as the original
 13 application, with a map showing the original boundary
 14 lines and the proposed boundary line changes.]

15 (4)] Prior to granting approval for amending the
 16 boundaries of an existing enterprise zone, the authority
 17 shall verify and document in writing [consider] the
 18 following:

19 (a) How amending the boundaries of the existing zone
 20 will comply with the goals established pursuant to Section
 21 1 of this Act;

22 (b) The local government's [jurisdiction/s]
 23 commitment and incentives to be offered to support the
 24 expanded enterprise zone;

25 (c)[(b)] If two (2) or more local governments
 26 [jurisdictions] are involved, that each local government

1 [jurisdiction] has met the requirements of Section 3 of
 2 this Act [KRS 154.660];

3 (d)[(c)] The local government's [jurisdiction/s]
 4 attempt to utilize available buildings and properties
 5 within the existing zone; and

6 (e)[(d)] Unforeseen circumstances or overriding
 7 economic factors that have occurred since the designation
 8 of the original zone that necessitate amending the
 9 boundaries of the existing zone.

10 Section 5. KRS 154.665 is amended to read as follows:

11 (1) Any area [~~of areas~~] of a local government
 12 [~~city/ county or urban/county government~~] may be
 13 designated an enterprise zone that [~~which~~]:

14 (a) Has a continuous boundary, and

15 (b) Is an area of pervasive poverty, unemployment
 16 and economic distress.

17 (2) An area meets the requirements of subsection
 18 (1)(b) of this section if:

19 (a) The average rate of unemployment in the [~~such~~]
 20 area for the most recent eighteen (18) month period for
 21 which data is [~~are~~] available was at least one and
 22 one-half (1 1/2) times the average national rate of [~~of~~]
 23 unemployment for that [~~such~~] eighteen (18) month period;
 24 and

25 (b) At least seventy percent (70%) of the residents
 26 living in the area have incomes below eighty percent (80%)

1 of the median income of the residents of the local [~~city/~~
 2 ~~county or urban+county~~] government requesting designation
 3 of an enterprise zone; or

4 (c) The population of all census tracts in the area
 5 decreased by ten percent (10%) or more between 1980 and
 6 1990 [~~1970 and 1980~~] and the local [~~city/ county or~~
 7 ~~urban+county~~] government requesting designation
 8 establishes in writing, to the satisfaction of the
 9 authority, that either:

10 1. Chronic abandonment or demolition of commercial
 11 or residential structures exist in the area, or

12 2. Substantial tax arrearages of commercial or
 13 residential structures exist in the area.

14 Section 6. KRS 154.670 is amended to read as follows:

15 (1) In addition to the seven (7) existing state
 16 enterprise zones, the authority may designate three (3)
 17 additional state enterprise zones by December 31, 1988. In
 18 deciding which areas should be designated as enterprise
 19 zones the authority shall give preference to:

20 (a) Local governments that have documented the
 21 greatest commitment to the goals established pursuant to
 22 Section 1 of this Act;

23 (b) Areas with the highest levels of poverty,
 24 unemployment, and general distress; and

25 (c)[(b)] Areas that [~~which~~] have the greatest
 26 [~~widest~~] support from the local government seeking

1 designation, the community, residents, local business and
 2 private organizations, taking into account the resources
 3 available to the local government.[/ and

4 (c) Areas for which the government seeking
 5 designation has made or will make the greatest effort to
 6 encourage economic activity and remove impediments to job
 7 creation including but not limited to a reduction of tax
 8 rates or fees; an increase in the level of efficiency of
 9 local services and a simplification or streamlining of
 10 governmental requirements on employers or employees;
 11 taking into account the resources available to such
 12 government to make such efforts.]

13 (2) [Any] Designation of an area as an enterprise
 14 zone shall remain in effect during the period beginning on
 15 the date of designation and ending on December 31 of the
 16 twentieth year following designation.

17 (3) The authority shall [may] remove the
 18 designation of an [any] area as an enterprise zone if
 19 the [such] area no longer meets the criteria for
 20 designation as set out in KRS 154.660 to 154.705 or by
 21 administrative regulation adopted by the authority
 22 pursuant to KRS 154.660 to 154.705[/ provided that no
 23 designation shall be removed less than ten (10) years from
 24 the date of original designation]. The authority shall
 25 establish by administrative regulation a procedure for
 26 revocation of the designation of an enterprise zone. The

1 authority shall ensure that local governments shall be
2 notified in writing of the authority's intent and reasons
3 for considering revocation of the designation. The
4 authority shall establish a reasonable time frame within
5 which the local government may correct the problems cited
6 by the authority to avoid revocation of the enterprise
7 zone designation.

8 (4) A local government that has had an enterprise
9 zone designation revoked shall be prohibited from applying
10 for future enterprise zone designations for at least five
11 (5) years. The authority may, by administrative
12 regulation, extend the time frame that a local government
13 is prohibited from participating in the enterprise zone
14 program.

15 (5) If the authority revokes the designation of an
16 enterprise zone, it shall immediately begin reviewing the
17 applications of local governments seeking an enterprise
18 zone and designate a new area as an enterprise zone as
19 soon as possible.

20 (6) If the authority removes the designation of an
21 [any] area as an enterprise zone pursuant to this
22 section [subsection], the qualified businesses within
23 the area shall retain certification and shall remain
24 eligible to receive tax exemptions pursuant to KRS 154.690
25 until December 31 of the twentieth year from the date of
26 the original designation of the area as an enterprise zone.

1 Section 7. KRS 154.675 is amended to read as follows:

2 (1) For the purposes of carrying out the provisions
 3 of KRS 154.660 to 154.705, there is hereby created the
 4 Enterprise Zone Authority of Kentucky consisting of eleven
 5 (11) [~~nine (9)~~] members. The authority shall be
 6 appointed as follows: one (1) member appointed by the
 7 Governor from a list of three (3) persons nominated by the
 8 Labor Management Advisory Council; one (1) member
 9 appointed by the Governor from a list of three (3) persons
 10 nominated by the Kentucky League of Cities [~~Municipal~~
 11 ~~League~~]; one (1) member appointed by the Governor from a
 12 list of three (3) persons nominated by the Kentucky
 13 Association of Counties; one (1) member appointed by the
 14 Governor who is qualified to represent the interests of
 15 Kentucky's small business community; two (2) members
 16 appointed by the Governor to serve at large; two (2)
 17 members appointed by the Governor from a list of five (5)
 18 persons nominated by the secretary of the Economic
 19 Development Cabinet; [~~and~~] the secretary of the Economic
 20 Development Cabinet or his designee; the secretary of the
 21 Revenue Cabinet or his designee; and the secretary of the
 22 Cabinet for Human Resources or his designee.

23 (2) Authority members shall serve a term of four (4)
 24 years and, except for the secretary of the Economic
 25 Development Cabinet, the secretary of the Revenue Cabinet,
 26 and the secretary of the Cabinet for Human Resources,

1 shall not be eligible to succeed themselves. [The members
 2 shall serve a term of four (4) years; except that the
 3 first Appointments shall be made as follows: three (3)
 4 for a term of one (1) year; two (2) for a term of two (2)
 5 years; two (2) for a term of three (3) years; and two (2)
 6 for a term of four (4) years;]

7 (3) The authority shall meet at least four (4) times
 8 per year. A majority of the total authority membership
 9 shall be required to designate an area as an enterprise
 10 zone and to certify businesses as qualified businesses.
 11 The authority shall keep official minutes of all meetings.
 12 All members shall serve until such time as their
 13 successors are qualified and appointed. Each member of the
 14 authority shall receive one hundred dollars (\$100), not to
 15 exceed twelve hundred dollars (\$1,200) per calendar year,
 16 as compensation for attending official meetings of the
 17 authority. Each member of the authority shall be
 18 reimbursed for travel expenses actually incurred in the
 19 discharge of his duties on the authority.

20 (4) The Economic Development Cabinet shall serve as
 21 staff for the authority and carry out the administrative
 22 duties and functions as directed by the authority.

23 Section 8. KRS 154.680 is amended to read as follows:

24 The authority shall administer the provisions of KRS
 25 154.660 to 154.705, and shall [~~have the following powers~~
 26 ~~and duties~~]:

1 (1) Establish by administrative regulation a process
2 to monitor compliance by local governments and qualified
3 businesses with the provisions of the enterprise zone
4 program;

5 (2) Initiate contact and fully cooperate with the
6 Revenue Cabinet in the collection of information to
7 determine the fiscal impact of enterprise zone tax
8 exemptions on state revenues;

9 (3) Report to the General Assembly no later than
10 October 1 annually regarding:

11 (a) The authority's method of monitoring the
12 enterprise zone program;

13 (b) Information on the fiscal impact of enterprise
14 zone tax exemptions on state revenues;

15 (c) The authority's method of reviewing local
16 incentives;

17 (d) Information on the number of qualified
18 businesses per zone;

19 (e) Information on the number of requests for
20 amendments to zone boundaries and the number of amendments
21 granted and denied; and

22 (f) Recommendations requiring state legislative
23 action;

24 (4) Revoke designation of an area as an enterprise
25 zone pursuant to the provisions of Section 6 of this Act.

26 (5) Prohibit the certification of businesses in an

1 enterprise zone if the local government has been notified
 2 in writing by the authority of the authority's intent to
 3 revoke the local government's designation as an enterprise
 4 zone. The prohibition of certification of businesses shall
 5 continue until the authority officially revokes the local
 6 government's enterprise zone designation, or notifies the
 7 local government in writing that the problems cited by the
 8 authority have been corrected and the enterprise zone
 9 designation shall not be revoked;

10 (6) Offer technical assistance and job training
 11 assistance to local governments, qualified businesses, and
 12 neighborhood enterprise association corporations; and

13 (7) Aggressively review local incentives and
 14 commitments on an annual basis.

15 [(1) To establish criteria for determining which
 16 areas qualify as enterprise zones;

17 (2) To monitor the implementation of KRS 154/660 to
 18 154/705 and submit reports evaluating the effectiveness of
 19 the program and any suggestions for legislation to the
 20 Governor and general assembly by October 1 of any year
 21 preceding a regular session of the general assembly;

22 (3) To conduct a continuing evaluation program of
 23 enterprise zones;

24 (4) To promulgate all necessary rules and
 25 regulations in accordance with the provisions of KRS
 26 Chapter 13A to carry out the purposes of KRS 154/660 to

1 154/705/

2 (5) To assist units of local government in obtaining
3 federal status as an enterprise zone/

4 (6) To assist any qualified employer in obtaining
5 the benefits of any incentive or inducement program
6 provided by law and to certify qualified employers to be
7 eligible for the benefits of KRS 154/660 to 154/705/

8 (7) To assist the governing authority of an
9 enterprise zone in obtaining assistance from any other
10 agency of state government/ including but not limited to
11 assistance in providing training and technical assistance
12 to qualified businesses within a zone/

13 (8) To assist the governing authority of an
14 enterprise zone in the development of small business
15 incubators/

16 (9) To review local incentives every two (2) years/
17 and

18 (10) To prohibit the certification of any future
19 qualified business within the enterprise zone if the local
20 jurisdiction is not complying with the provisions of KRS
21 154/660 to 1564/705/ until such time as the authority
22 deems that the jurisdiction has met the requirements of
23 KRS 154/660 to 154/705/]

24 Section 9. KRS 154.685 is amended to read as follows:

25 (1) The authority shall establish and design for
26 public display a master business license that [which]

1 shall certify that the qualifying business has obtained
 2 all necessary state agency permits, licenses,
 3 certificates, approvals, registrations, charters, or any
 4 other form of permission required by law[~~/ including~~
 5 ~~agency rule/~~] to engage in business in an enterprise
 6 ~~[a]~~ zone.

7 (2) The authority shall provide information and
 8 ~~[appropriate]~~ assistance to persons desiring to locate
 9 and engage in business in an enterprise ~~[a]~~ zone
 10 regarding the state licenses, permits, certificates,
 11 approvals, registrations, charters, and any other forms of
 12 permission required by law to engage in business in the
 13 Commonwealth.

14 (3) Responsibility ~~[Irrespective of any authority~~
 15 ~~delegated to the authority to implement the provisions of~~
 16 ~~KRS 154.660 to 154.705/ the authority]~~ for determining if
 17 ~~[any]~~ requested licenses, permits, certificates,
 18 approvals, registrations, charters, or ~~[any]~~ other form
 19 of permission required by law shall be issued to a
 20 qualified business, shall remain with the agency
 21 ~~[otherwise]~~ legally authorized to issue the license.

22 Section 10. KRS 154.690 is amended to read as
 23 follows:

24 (1) A new business, or an existing business
 25 certified on the basis of employee expansion, shall be
 26 eligible to receive the tax advantages provided for in

1 this section if the qualified business maintains the
2 percentage of targeted workforce employees required by
3 subsection (7) of Section 2 of this Act for the entire
4 time it is certified as a qualified business in the
5 enterprise zone program.

6 (2) Building materials used in remodeling,
7 rehabilitation, or new construction within an enterprise
8 zone shall be exempt from sales and use taxes provided for
9 in KRS Chapter 139.

10 (3) New and used equipment and machinery purchased
11 and used by a qualified business within an enterprise zone
12 shall be exempt from sales and use taxes provided for in
13 KRS Chapter 139. Equipment and machinery may be moved in
14 and out of an enterprise zone for business purposes only.
15 In addition, it may not become a permanent fixture at
16 another location and may be only temporarily located
17 elsewhere for maintenance, mechanical failure, or
18 emergency short term replacement.

19 (4) Commercial vehicles as defined in KRS 186.050,
20 purchased and used solely for business purposes, shall be
21 exempt from the motor vehicle usage tax imposed by KRS
22 138.460.

23 (5) Motor vehicles not considered commercial
24 vehicles pursuant to KRS 186.050, purchased and used
25 solely for business purposes, shall be exempt from the
26 motor vehicle usage tax limited to the first twenty

1 thousand dollars (\$20,000) of the "retail price" of the
2 vehicle as defined in KRS 138.450.

3 (6) Motor vehicles or motor trucks purchased by a
4 qualified business for the purpose of being leased to a
5 customer for a period greater than ninety (90) days shall
6 not be exempt from the motor vehicle usage taxes provided
7 for in KRS 138.460.

8 (7) A qualified business shall be allowed a credit
9 against the tax levied pursuant to KRS 141.040 equal to
10 ten percent (10%) of wages paid to each employee who has
11 been unemployed for at least ninety (90) days or who has
12 received public assistance benefits, based on need and
13 intended to alleviate poverty, for at least ninety (90)
14 days prior to employment with the qualified business, up
15 to fifteen hundred dollars (\$1500) per employee. Any
16 unused credit may be carried forward for up to five (5)
17 years.

18 (8) A local government may, by an act of the local
19 legislative body, levy an ad valorem tax rate of one-tenth
20 of one cent (\$.001) upon each one hundred dollars (\$100)
21 of value on qualified property within an enterprise zone
22 regardless of the rates provided for in KRS Chapter 132.

23 [(1) The provisions of KRS Chapter 141
24 notwithstanding, gains from the sale of qualified property
25 within a zone shall be exempt from state income taxes.]

26 (2) The provisions of KRS Chapter 141

1 notwithstanding, all interest payments on loans made to
2 qualified businesses or on mortgage loans on any property
3 within a zone shall be exempt from all state taxes,
4 provided that such loans were made after the zone was
5 officially designated.

6 (3) The provisions of KRS Chapter 139
7 notwithstanding, building materials used in remodeling,
8 rehabilitation or new construction in a zone and new and
9 used equipment and machinery purchased by qualified
10 businesses for use in the zone, certified by the purchaser
11 to be used for these purposes, shall be exempt from sales
12 and use tax.

13 (4) The provisions of KRS 138.460 notwithstanding,
14 except for motor vehicles purchased by said qualified
15 businesses for the purpose of being leased to a customer
16 for a period greater than ninety (90) days, motor vehicles
17 purchased and used by qualified businesses shall be exempt
18 from the motor vehicle usage tax.

19 (5) The provisions of KRS Chapter 141
20 notwithstanding, for state tax purposes, qualified
21 businesses may carry forward their net operating losses,
22 including casualty losses, for so long as the zone in
23 which they are located shall be designated.

24 (6) For the purposes of KRS 154.660 to 154.703,
25 qualifying buildings and structures within a zone shall be
26 eligible for the moratorium on property taxes provided by

1 section 172B of the Constitution/

2 (7) The provisions of KRS Chapter 132
 3 notwithstanding/ any city/ county or urban+county
 4 government may/ by act of the governing body of
 5 appropriate jurisdiction/ adopt/ for the purposes of
 6 revenues received by such city/ county or urban+county
 7 government/ an annual ad valorem tax rate on qualified
 8 property within a zone of one-tenth of one cent (\$.001)
 9 upon each one hundred dollars (\$100) of value/]

10 Section 11. KRS 154.700 is amended to read as
 11 follows:

12 (1) Individuals residing in an enterprise zone may
 13 establish[/ under the provisions of KRS 154/660 to
 14 154/705/] a Neighborhood Enterprise Association
 15 Corporation. There shall be [only] one (1) [such]
 16 corporation for each geographic neighborhood area[/ The
 17 neighborhood area to] which [each corporation applies]
 18 shall be defined by the incorporating residents.

19 (2) The incorporating residents shall draft a
 20 charter and bylaws for the association suitable for doing
 21 business in corporate form. The charter and bylaws shall
 22 describe the geographic neighborhood area to which the
 23 incorporating association applies, the manner in which a
 24 stock interest in the corporation shall be offered to each
 25 resident of the neighborhood, contain provisions for
 26 amendment by a majority of stockholders, and authorize the

1 corporation to engage in business only within the
 2 particular zone in which the neighborhood area of the
 3 corporation is located.

4 (3) The incorporating residents shall send to all
 5 [~~eligible~~] residents of the corporation's neighborhood
 6 area:

7 (a) An explanation of the proposed new corporation
 8 and their rights in it;

9 (b) A copy of the corporate charter and bylaws; and

10 (c) An offer of the stock interest to which each
 11 particular resident is entitled without [~~any~~] charge
 12 [~~for such stock~~].

13 (4) The board of directors of the corporation may,
 14 upon approval of a majority of the members of the local
 15 legislative body of appropriate jurisdiction, apply to the
 16 authority for certification as a neighborhood enterprise
 17 association corporation. The authority shall not grant the
 18 [~~such~~] status unless the corporation has complied with
 19 the requirements of this section and [~~KRS 154/660 to~~
 20 ~~154/705 and such~~] other requirements as may be adopted by
 21 the authority by administrative regulation. Upon granting
 22 certification, the authority shall place the corporation's
 23 charter and bylaws in a public file. The authority shall
 24 have power to revoke or suspend certification, or any of
 25 the leases issued under subsection (5) of this section, if
 26 the corporation fails to continue to comply with the

1 requirements of this section [KRS 154.660 to 154.705].
 2 The authority shall give technical assistance to zone
 3 residents attempting to start [~~such~~] corporations.

4 (5) [~~All~~] Property within the neighborhood area of
 5 a certified corporation that [~~which~~] is owned by the
 6 state or a [~~and~~] local government and that [~~which~~] is
 7 not in current use by the [~~such~~] government shall be
 8 leased to the corporation. The term of the lease shall not
 9 be less than ninety-nine (99) years and the full amount of
 10 rental fees under the [~~such~~] lease shall not exceed one
 11 dollar (\$1). The lease may be renewed upon expiration if
 12 the corporation has continuously complied with the
 13 requirements of this section [KRS 154.660 to 154.705].

14 (6) A certified corporation shall be exempt from
 15 [~~any~~] state and [~~of~~] local taxation [~~tax~~] during the
 16 life of the zone in which it is located.

17 Section 12. KRS 154.705 is amended to read as
 18 follows:

19 (1) The Revenue Cabinet shall initiate contact and
 20 fully cooperate with the authority in the collection of
 21 information to determine the fiscal impact of enterprise
 22 zone tax exemptions on state revenues.

23 (2) Report to the General Assembly no later than
 24 October 1 annually regarding:

25 (a) The cabinet's method of monitoring the
 26 enterprise zone program;

1 (b) Information on the fiscal impact of enterprise
 2 zone tax exemptions on state revenues; and

3 (c) Recommendations requiring state legislative
 4 action.

5 (3) The Revenue Cabinet shall by administrative
 6 regulation amend its sales and use tax return to collect
 7 fiscal information on qualified businesses within an
 8 enterprise zone for purposes of reporting to the General
 9 Assembly.

10 (4) The Revenue Cabinet shall promulgate
 11 administrative regulations to establish a process for the
 12 collection of tax information relating to enterprise zone
 13 tax exemptions. [The Kentucky Revenue Cabinet shall
 14 assist the authority in the preparation of a joint
 15 questionnaire to be administered by the authority to
 16 qualified businesses within an enterprise zone/ for the
 17 purpose of the authority reporting to the general assembly
 18 on the fiscal impact of the enterprise zone program.]

19 SECTION 13. A NEW SECTION OF KRS 154.660 TO 154.705
 20 IS CREATED TO READ AS FOLLOWS:

21 The Cabinet for Human Resources shall verify
 22 employment information relating to the hiring requirements
 23 of qualified businesses to select and maintain employees
 24 from the targeted workforce. The Cabinet for Human
 25 Resources shall fully cooperate with the authority in the
 26 development of a system to monitor employment information

1 supplied by qualified businesses.

2 Section 14. To carry out the purpose of Section 7,
3 subsection (3) of this Act, there is appropriated to the
4 authority out of the general fund in the State Treasury
5 the sum of thirteen thousand two hundred dollars (\$13,200)
6 for the 1992-93 fiscal year and thirteen thousand two
7 hundred dollars (\$13,200) for the 1993-94 fiscal year.

8 Section 15. The following KRS section is repealed:

9 154.695 Enterprise zones may be exempt from
10 administrative regulations -- Exception -- Procedure.

Commonwealth of Kentucky
REVENUE CABINET
Department of Tax Compliance
Calvert Bratton Commissioner
An Analysis of 1989 Enterprise Zones

SALES AND USE TAX RETURN

COMMONWEALTH OF KENTUCKY
REVENUE CABINET
FRANKFORT, KENTUCKY

NAME AND ADDRESS

FOR CABINET USE ONLY

Period Beginning:
Period Ending:
Return Due:
Account No.:

PLEASE READ INSTRUCTIONS CAREFULLY • TYPE OR PRINT • SIGN RETURN PROPERLY • DO NOT STAPLE

1. TOTAL RECEIPTS		1	\$ EXHIBIT 3A
DEDUCTIONS FOR NONTAXABLE RECEIPTS (see instructions)			
2. Sales for which resale certificates received	2		<p><i>Mail this copy with payment.</i></p> <p><i>To avoid penalties—File your return within 20 days following the close of the period.</i></p> <p><i>A signed return must be filed with proper notations even if no sales were made during the period.</i></p> <p><i>Do not alter the pre-printed information on this return. Use the enclosed form to report changes in name, address, ownership, partners or type of ownership.</i></p>
3. Sales for which agricultural certificates received	3		
4. Sales for which purchase exemption certificates received	4		
5. Sales of tax-exempt foods	5		
6. Sales to government units	6		
7. Sales in interstate commerce	7		
8. Sales of gasoline	8		
9. Trade-in allowances (accrual method only)	9		
10. Service and installation charges	10		
11. Returned merchandise	11		
12. Bad debts and repossessions (accrual method only)	12		
13. Freight and delivery charges	13		
14. Cash discounts	14		
15. Sales of prescription medicines	15		
16. Sales of motor vehicles	16		
17. Other (specify) _____	17		
18. Other (specify) _____	18		
19. Other (specify) _____	19		
20. TOTAL DEDUCTIONS (Total of lines 2 through 19)	20		\$ EXHIBIT 3B
COMPUTATION OF TAX DUE			
21. Net receipts (line 1 minus line 20)	21		EXHIBIT 3B-1
22. Taxable receipts (see instructions)	22		
23. Amount subject to use tax (see instructions)	23		
24. Total taxable amount (line 22 plus line 23)	24		
25. Sales and use tax (6% (.06) of line 24)	25		
26. Compensation (see instructions)	26		
27. Tax due (line 25 minus line 26)	27		EXHIBIT 3C
<p>NOTE: If return is mailed before due date and you do not have a credit to claim, pay amount on line 27 and do not complete lines 28-33. If return is filed late or a credit is claimed, you must complete lines 28-33.</p>			
28. Preauthorized credits (indicate credit memo date ____ / ____ / ____) (see instructions)	28		
29. Net tax due (line 27 minus line 28)	29		
30. Penalty (see instructions)	30		
31. Interest (see instructions)	31		
32. Total penalty and interest (line 30 plus line 31)	32		
33. Total amount due (line 29 plus line 32) . . . IF LATE OR CREDIT CLAIMED, PAY THIS AMOUNT ▶	33		\$

I declare, under the penalties of perjury, that this return has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.

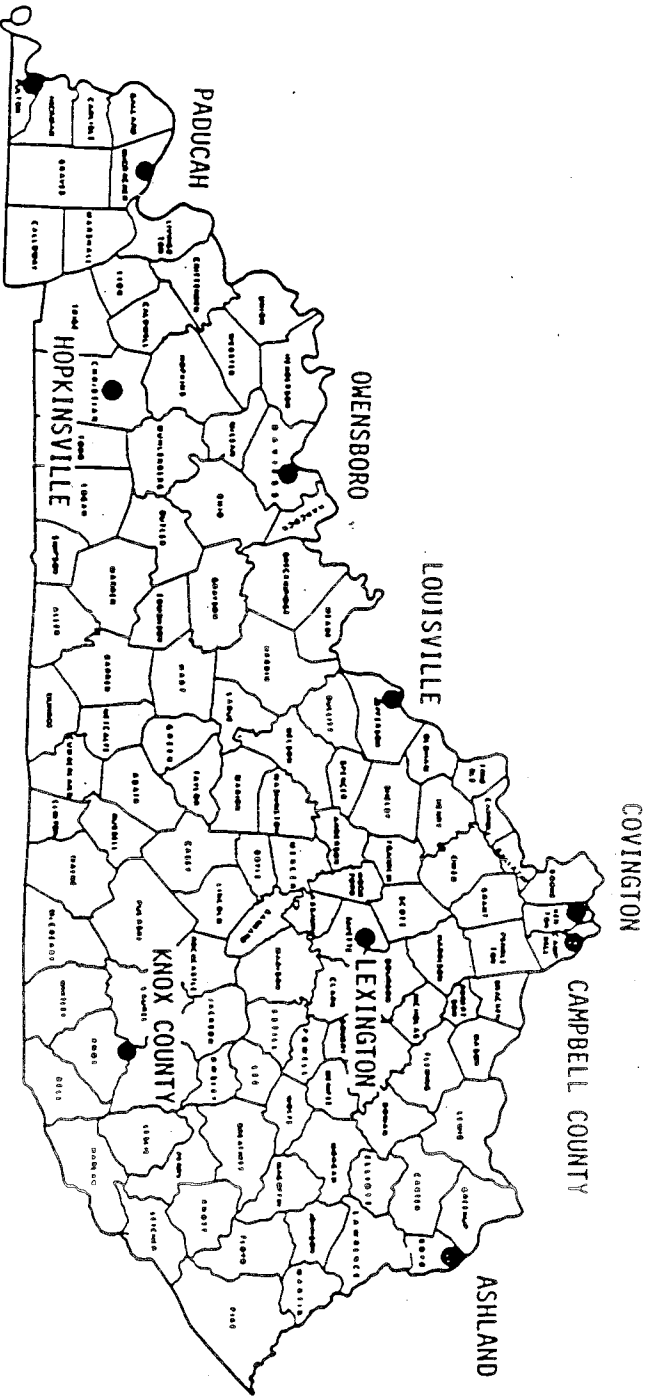
34. _____ 35. _____

SIGN HERE ▶ _____
Signature Title Date

Remit total amount due. Make check payable to:
KENTUCKY STATE TREASURER
Mail to: REVENUE CABINET
FRANKFORT, KENTUCKY 40619

KENTUCKY ENTERPRISE ZONES

HICKMAN - FULTON COUNTY



FORWARD

The following report contains an analysis of 1989 tax data on qualified businesses in the Kentucky Enterprise Zones.

The analysis gathered income, sales and use, withholding and motor vehicle use tax data to formulate a picture of the economic activity, employment numbers, and tax exemptions in the enterprise zones.

The Revenue Cabinet is quickly moving to develop more in-depth and accurate analysis and methods to determine the effect of the enterprise zones' impact on economic development and tax revenues.

Income Tax Exemptions

A survey of all qualified business income tax returns filed by individuals and partnerships showed that none had claimed net operating loss carryforwards, exemptions of interest income on loans, or exemptions of gains on the sale of assets on their returns.

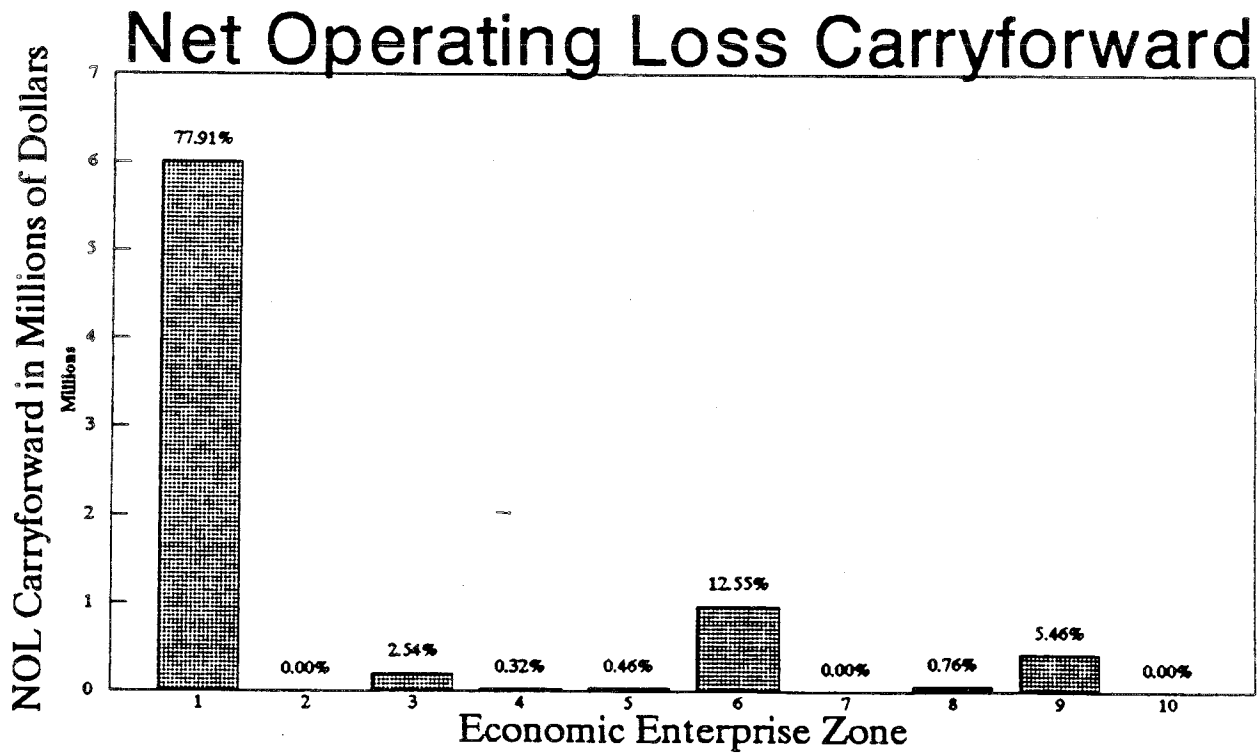
A review of all qualified corporation income tax returns showed the following:

1. S corporations took capital gain exemptions totaling \$82,966.
2. 66 corporations took net operating loss deductions totaling \$7,705,210 (**see exhibit 1**).
3. No corporation had exempt interest income from loans to business in any enterprise zone.

Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	Net Operating Loss Carryforward	Percent of NOL Carryforward
1	Louisville	6,002,749.32	77.91%
2	Hickman	0.00	0.00%
3	Ashland	195,460.00	2.54%
4	Covington	24,948.00	0.32%
5	Owensboro	35,706.03	0.46%
6	Lexington	967,140.98	12.55%
7	Knox County	0.00	0.00%
8	Campbell Co	58,376.00	0.76%
9	Paducah	420,829.39	5.46%
10	Hopkinsville	0.00	0.00%
TOTAL		7,705,209.72	100.00%



Motor Vehicle Use Tax Exemptions

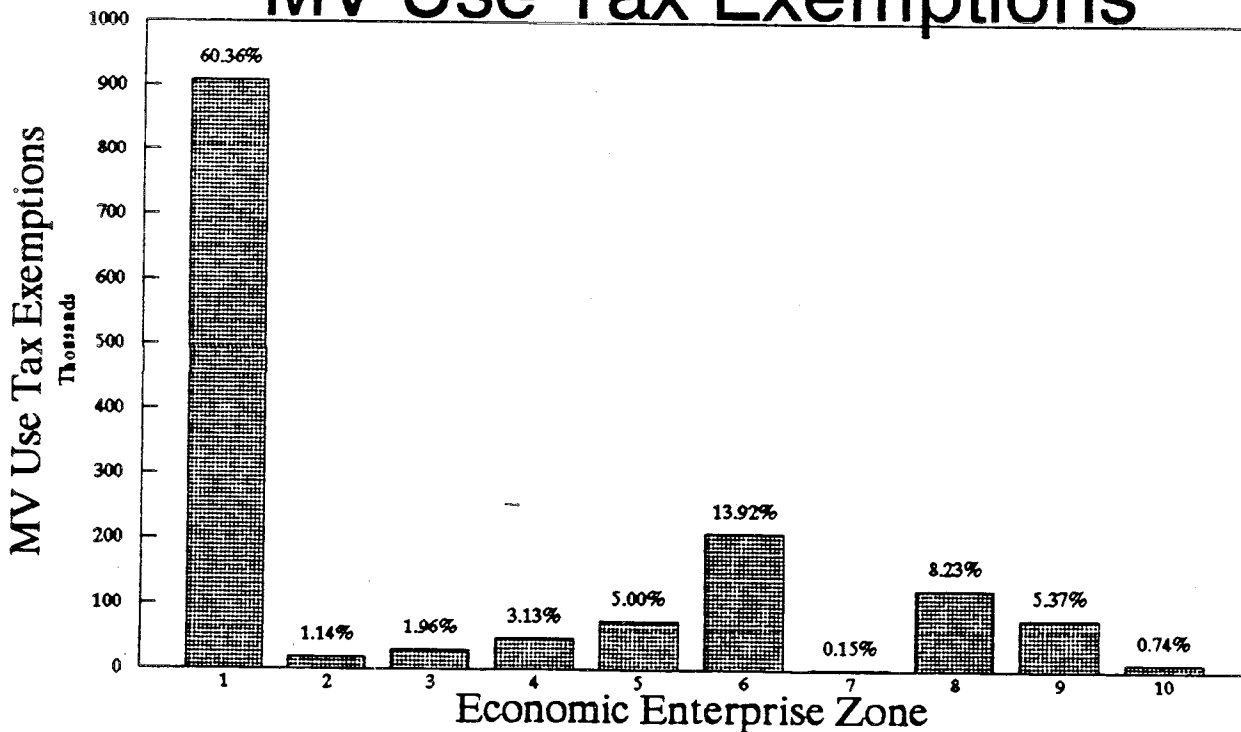
Exhibit 2 shows the total tax value exempted on motor vehicles (\$1,504,905). By comparison the total motor vehicle use tax collected during fiscal year 1989 was \$182,035,253. These exemptions represent .83% (**less than 1%**) of total motor use tax collections.

Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	MV Usage Tax Exemptions	Percent of MV Usage Tax Exemptions
1	Louisville	908,440.00	60.36%
2	Hickman	17,201.00	1.14%
3	Ashland	29,550.00	1.96%
4	Covington	47,124.00	3.13%
5	Owensboro	75,174.00	5.00%
6	Lexington	209,458.00	13.92%
7	Knox County	2,275.00	0.15%
8	Campbell Co	123,827.00	8.23%
9	Paducah	80,740.00	5.37%
10	Hopkinsville	11,116.00	0.74%
TOTAL		1,504,905.00	100.00%

MV Use Tax Exemptions



Sales and Use Tax Comparison

Exhibits 3A, 3B, 3B-1 and 3C represent a study of sales tax activity within the enterprise zones.

Exhibit 3A shows the gross receipts from sales, **exhibit 3B** shows deductions from sales (exempt sales, exempted resale certificates, etc), **exhibit 3B-1** shows net sales subject to tax. **Exhibit 3C** shows actual tax remitted to the Revenue Cabinet. This comprises the total sales tax receipts less compensation paid for collecting the tax, plus use tax collected by the Cabinet.

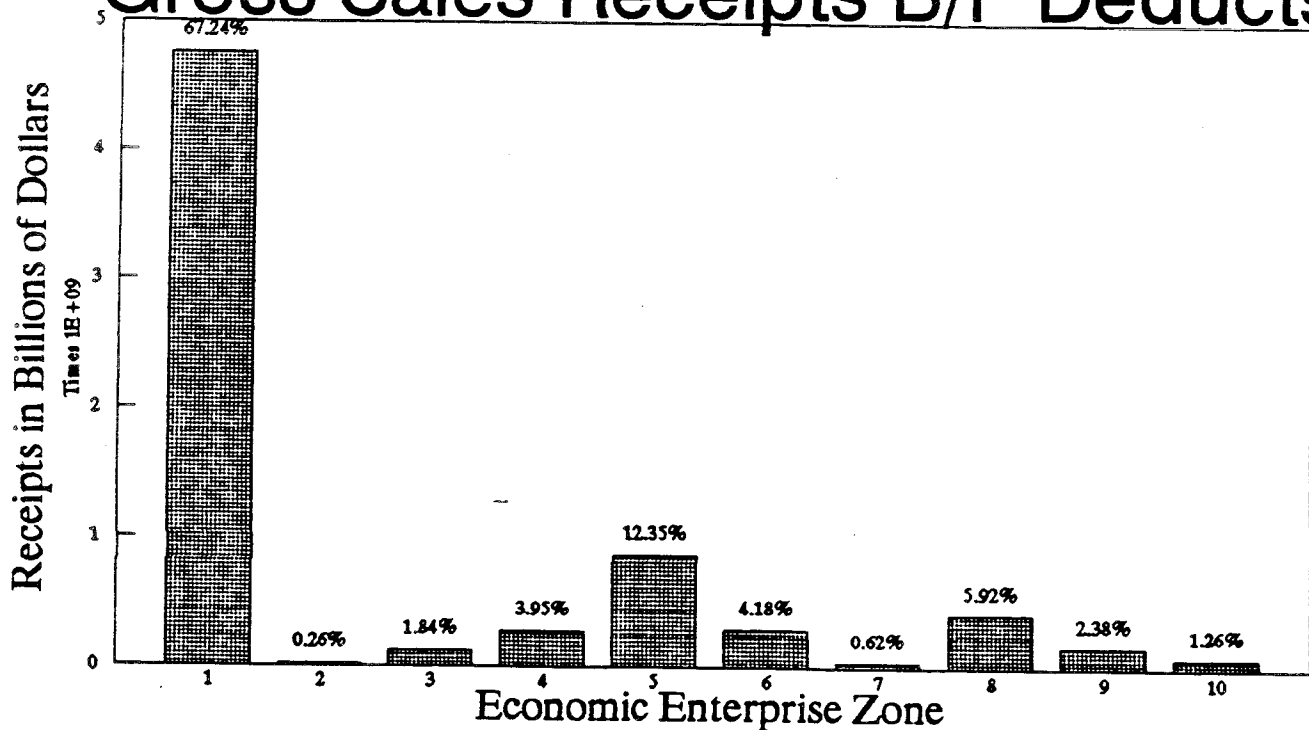
As a general comparison the total sales tax paid by all enterprise zones was \$58,146,490. This represents **5.6%** of the total sales tax collected (\$1,045,200,114) for fiscal year 1989.

Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	Gross Sales Receipts B/F Deductions	Percent of Total Receipts
1	Louisville	4,756,744,083.00	67.24%
2	Hickman	18,205,375.00	0.26%
3	Ashland	129,997,000.00	1.84%
4	Covington	279,508,516.00	3.95%
5	Owensboro	873,828,715.00	12.35%
6	Lexington	295,659,171.00	4.18%
7	Knox County	44,140,172.00	0.62%
8	Campbell Co	418,598,798.00	5.92%
9	Paducah	168,137,425.00	2.38%
10	Hopkinsville	89,177,860.00	1.26%
TOTAL		7,073,997,115.00	100.00%

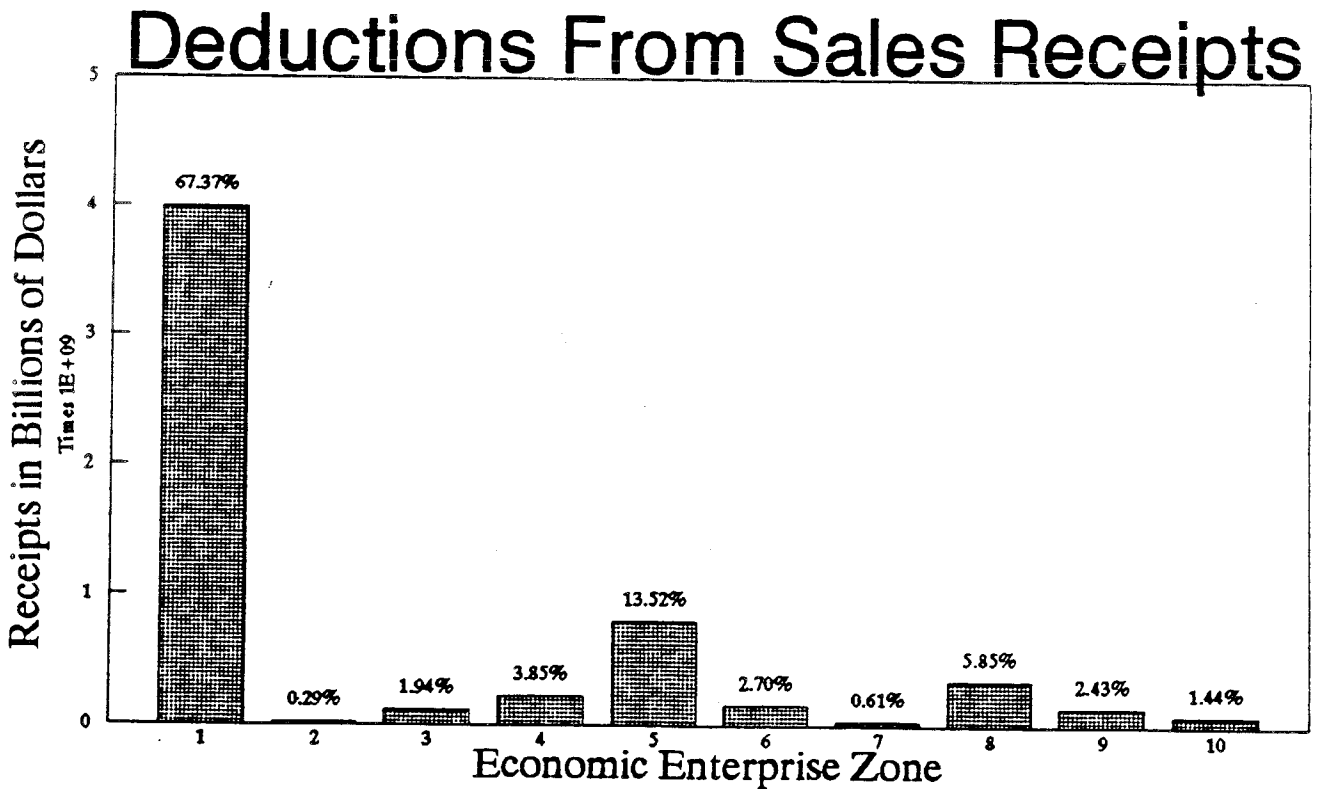
Gross Sales Receipts B/F Deducts



Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	Total Deductions From Sales Receipts	Percent of Total Receipts
1	Louisville	3,991,634,735.00	67.37%
2	Hickman	17,011,843.00	0.29%
3	Ashland	114,992,851.00	1.94%
4	Covington	227,904,866.00	3.85%
5	Owensboro	800,622,676.00	13.52%
6	Lexington	160,068,285.00	2.70%
7	Knox County	35,901,538.00	0.61%
8	Campbell Co	346,572,708.00	5.85%
9	Paducah	143,655,343.00	2.43%
10	Hopkinsville	85,305,001.00	1.44%
TOTAL		5,923,669,846.00	100.00%



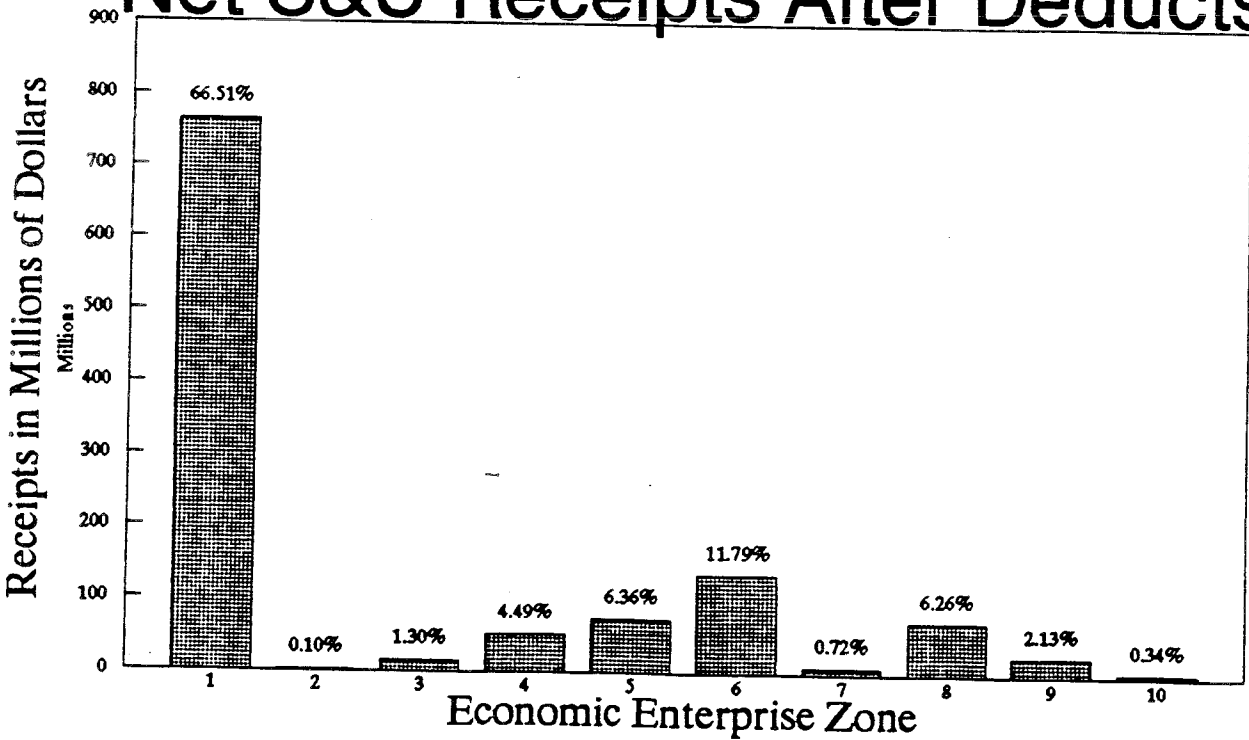
Commonwealth of Kentucky

REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	Sales & Use Receipts After Deducts	Percent of Net Receipts
1	Louisville	765,109,348.00	66.51%
2	Hickman	1,193,532.00	0.10%
3	Ashland	15,004,149.00	1.30%
4	Covington	51,603,650.00	4.49%
5	Owensboro	73,206,039.00	6.36%
6	Lexington	135,590,886.00	11.79%
7	Knox County	8,238,634.00	0.72%
8	Campbell Co	72,026,090.00	6.26%
9	Paducah	24,482,082.00	2.13%
10	Hopkinsville	3,872,859.00	0.34%
TOTAL		1,150,327,269.00	100.00%

Net S&U Receipts After Deducts



Withholding Tax

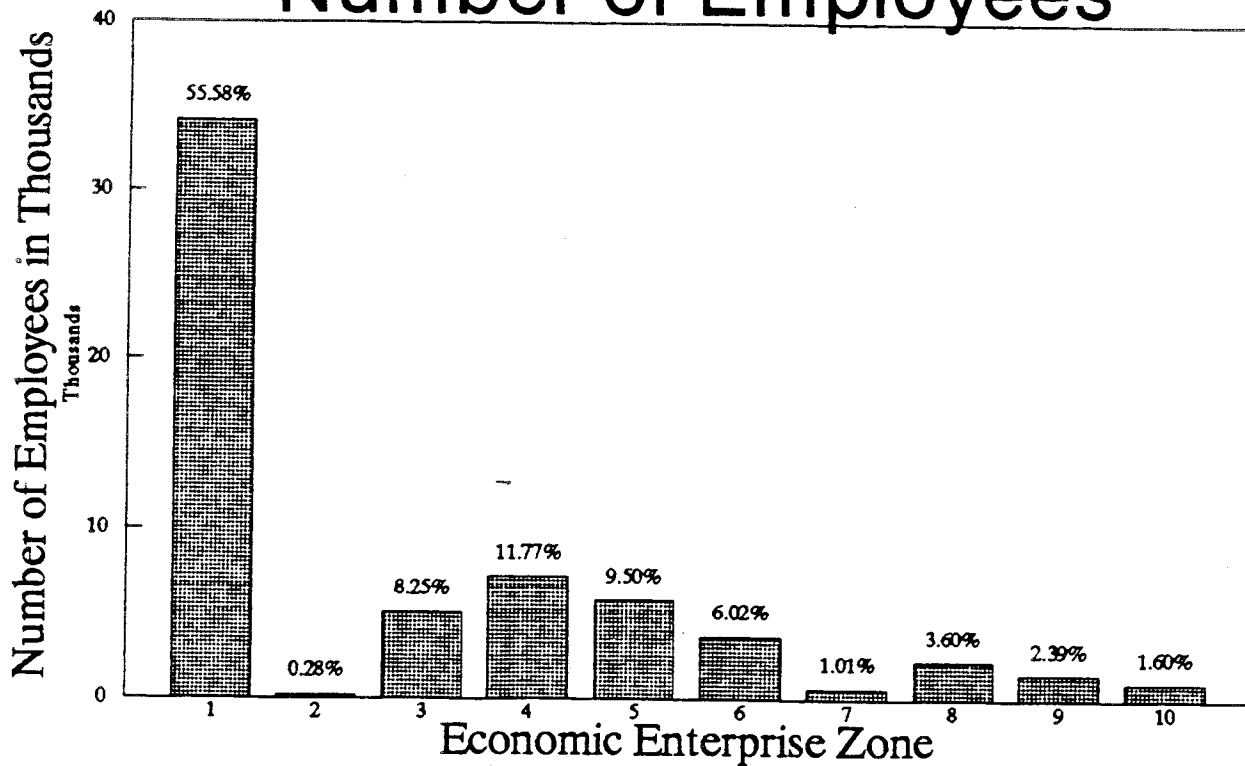
Exhibit 4A and 4B show total persons employed and total withholding tax remitted to the Revenue Cabinet by qualified businesses within the economic enterprise zones.

Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	Number of Employees	Percent of Total Employees
1	Louisville	34,143	55.58%
2	Hickman	175	0.28%
3	Ashland	5,070	8.25%
4	Covington	7,228	11.77%
5	Owensboro	5,837	9.50%
6	Lexington	3,699	6.02%
7	Knox County	618	1.01%
8	Campbell Co	2,211	3.60%
9	Paducah	1,467	2.39%
10	Hopkinsville	984	1.60%
TOTAL		61,432	100.00%

Number of Employees

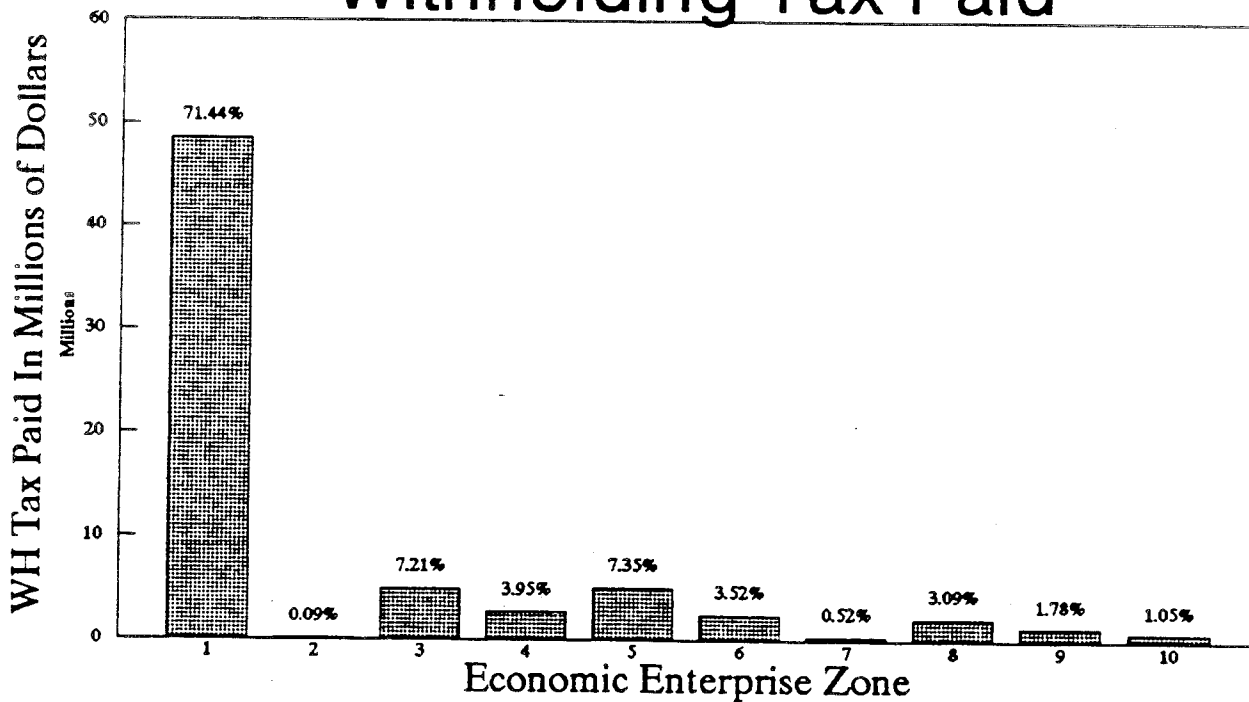


Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Location of Zone	Total Withholding Paid	Percent of WH Tax Paid
1	Louisville	48,521,221.68	71.44%
2	Hickman	64,018.88	0.09%
3	Ashland	4,897,914.30	7.21%
4	Covington	2,686,047.77	3.95%
5	Owensboro	4,994,706.33	7.35%
6	Lexington	2,387,345.59	3.52%
7	Knox County	352,495.52	0.52%
8	Campbell Co	2,096,059.57	3.09%
9	Paducah	1,205,606.55	1.78%
10	Hopkinsville	711,951.65	1.05%
TOTAL		67,917,367.84	100.00%

Withholding Tax Paid



Property Tax

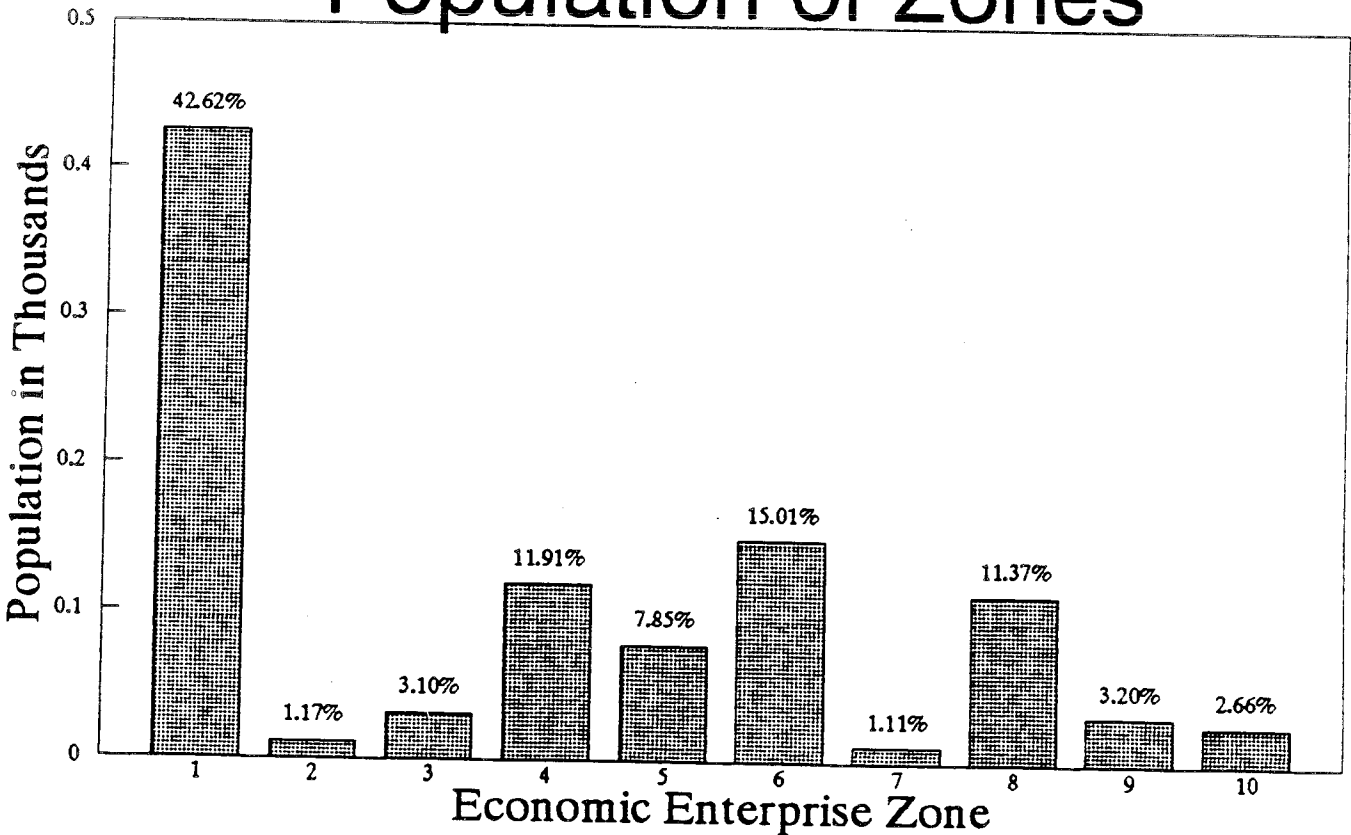
Exhibits 5A, 5B, and 5C were obtained from a press release from the Legislative Research Commission. The **exhibit 5A** shows the population of the zones, **exhibit 5B** shows the number of qualified businesses in the zones, and **exhibit 5C** lists property tax incentives offered by local governments along with dates of boundary amendments.

Commonwealth of Kentucky REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Date of Designation	Size of Zone	Population of Zone	Percent of Total Population	Number of Qualified Businesses	Percent of Total Businesses
1	June 1983	45.7 sq mi	109,628	42.62%	847	57.62%
2	June 1983	14,000 acres	3,000	1.17%	54	3.67%
3	Feb 1984	4.24 sq mi	7,977	3.10%	58	3.95%
4	Feb 1984	3,357 acres	30,630	11.91%	72	4.90%
5	Jan 1985	7.19 sq mi	20,178	7.85%	107	7.28%
6	Jan 1985	6,947 acres	38,605	15.01%	89	6.05%
7	Jan 1986	26.78 sq mi	2,845	1.11%	6	0.41%
8	Nov 1986	9.46 sq mi	29,240	11.37%	86	5.85%
9	Nov 1986	5.42 sq mi	8,228	3.20%	119	8.10%
10	Dec 1987	65 sq mi	6,840	2.66%	32	2.18%

Population of Zones



Commonwealth of Kentucky

REVENUE CABINET

Special Compliance Program Branch
Enterprise Zone Project

Economic Enterprise Zone	Date of Designation	Size of Zone	Population of Zone	Percent of Total Population	Number of Qualified Businesses	Percent of Total Businesses
1	June 1983	45.7 sq mi	109,628	42.62%	847	57.62%
2	June 1983	14,000 acres	3,000	1.17%	54	3.67%
3	Feb 1984	4.24 sq mi	7,977	3.10%	58	3.95%
4	Feb 1984	3,357 acres	30,630	11.91%	72	4.90%
5	Jan 1985	7.19 sq mi	20,178	7.85%	107	7.28%
6	Jan 1985	6,947 acres	38,605	15.01%	89	6.05%
7	Jan 1986	26.78 sq mi	2,845	1.11%	6	0.41%
8	Nov 1986	9.46 sq mi	29,240	11.37%	86	5.85%
9	Nov 1986	5.42 sq mi	8,228	3.20%	119	8.10%
10	Dec 1987	65 sq mi	6,840	2.66%	32	2.18%

Businesses in Zones

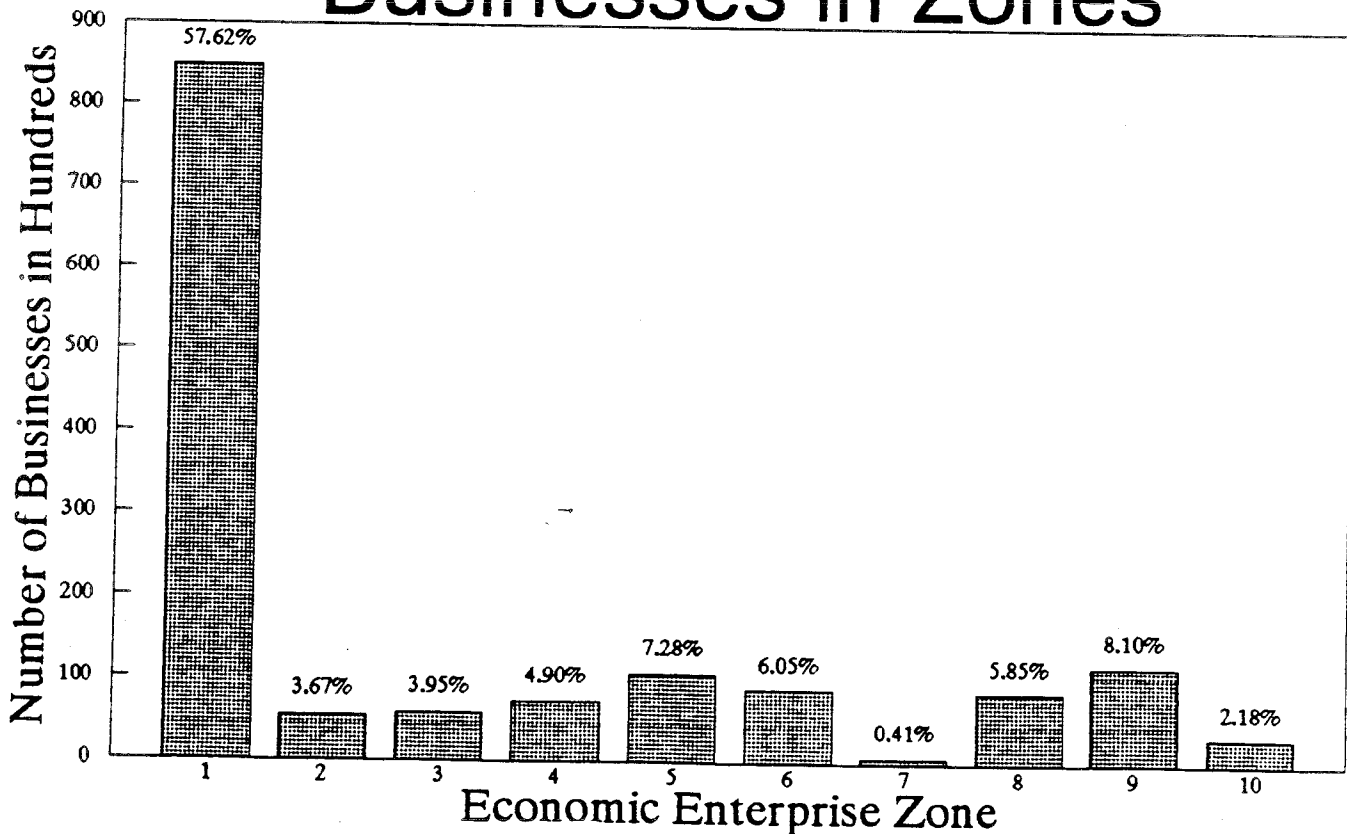


Exhibit 5C

Local Property Tax Incentives

EZ 1 - Louisville

1. Financial programs including interim financing
2. Technical assistance--building development and permits
3. Special attention and service from utility companies
4. Job training programs
5. Reduced city and county business inventory tax
6. Reduced building permit fees
7. Special zoning for commercial and industrial users
8. Labor "no strike" agreement
9. Boundary Amendments on 2/3/84 and 1/14/87

EZ 2 - Hickman

1. Real estate and tangible property tax rates established at one mill per \$100 of assessment
2. Negotiable gas and water rates on a cost-plus basis
3. Utility tap-in fees reimbursed after first full year of business
4. Boundary Amendments - none

EZ 3 - Ashland

1. Ad valorem tax rate on real and personal property, as well as inventory established at one-tenth of one cent (\$.001) upon each \$100 of value involving improvement, additions or construction resulting in an increase in assessed value, or tangible personal property created from expansion
2. Assistance with identifying available properties and financing
3. Assistance with permit and licensing procedures
4. Boundary Amendments on 6/18/85, 12/1/87 and 8/17/88

EZ 4 - Covington

1. Minimum business license fee of \$50 is waived or net profits tax of 2 1/2% is waived for first 3 years of business
2. 5 year property tax rate moratorium
3. Ad valorem tax rate of one-tenth of one cent (\$.001) upon each \$10 of assessed value
4. Boundary Amendments on 5/18/85 and 12/1/87

EZ 5 - Owensboro

1. Exemption from building permit fees
2. Abatement of inventory taxes
3. Dedication of property tax revenues (attributable to capital improvements within the zone) to job creation by zone providing the 10% local contribution required for SBA 503 loans, and zone providing off-site improvements to assist in the private development of large downtown projects
4. Zone business to have priority for use of available state and federal funds
5. "One stop" permits and job training
6. Other non-financial benefits targeted for zone
7. Boundary Amendments on 9/17/86

EZ 6 - Lexington

1. Dedication of tax revenues created by new and expanding businesses to be used for loans and site improvements
2. Targeting of public financial aid and low interest loans
3. Job training programs
4. Security analysis and landscaping recommendations
5. Zone businesses to have priority for use of available state and federal funds
6. Boundary Amendments on 11/11/86

EZ 7 - Knox County

1. 5 year tax rate on real and personal property of one-tenth of one cent (\$.001) per \$100 assessed value
2. Below market interest rate loans
3. Free water and sewer tap-ons

4. No county business inventory tax
5. Job training programs
6. Assistance with power and service needs
7. Boundary Amendments on 5/13/87 and 5/26/89

EZ 8 - Campbell County

1. 5 year moratorium for commercial businesses on rehabilitated structures 25 years or older
2. 5 year property tax abatement for industrial businesses
3. Building permits waived
4. Security analysis
5. Education assistance from NKU
6. Technical assistance with state and local codes, signage, zoning and permits
7. Boundary Amendments on 5/13/87

EZ 9 - Paducah

1. 5 year moratorium on investment in new personal property
2. 50% reduction in taxable assessed value of real estate used in direct operation of business
3. 5 year moratorium on business license fees
4. 50% reduction of refuse fees
5. Moratorium on building and electrical plan review and building permit fees
6. Employees not charged annual auto sticker fee
7. 2 year, 50% reduction in earnings tax for new employees
8. Boundary Amendments on 10/14/87 and 3/14/89

EZ 10 - Hopkinsville

1. 5 year rebate of 1 1/2% payroll tax (up to \$1,000 per employee) on new employees
2. 5 year rebate of city property tax
3. 5 year rebate of city business license tax
4. 5 year moratorium on property assessments
5. Revolving loan fund assistance
6. Industrial revenue bond assistance
7. Free fire and police safety inspections
8. Boundary Amendments on 1/19/89

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EZ 1 - Louisville

1. Financial programs including interim financing
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4. 50% reduction of refuse fees
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3. 5 year rebate of city business license tax
4. 5 year moratorium on property assessments
5. Revolving loan fund assistance
6. Industrial revenue bond assistance
7. Free fire and police safety inspections

MEMORANDUM

TO: Kathy Campbell

FROM: Sara Bell *Sara Bell*
Gina Hampton *Gina*

DATE: February 19, 1991

Attached is a copy of a report our office prepared in response to the January report submitted by the Revenue Cabinet.

Also attached are estimates of the state taxes generated annually by the qualifying businesses in Kentucky Enterprise Zones for fiscal year 1989.

STATE TAXES GENERATED ANNUALLY BY THE BUSINESSES
QUALIFYING IN KENTUCKY ENTERPRISE ZONES DURING FY 89

Taxes Payable by Businesses	\$3,853,500
Taxes Payable by Workers	<u>3,067,800</u>
Total	<u>\$6,921,300</u>

*These estimates were based on state taxes generated only by the new investment and new jobs figures provided in the attached report. Tax rates in effect at the end of 1990 were used for all calculations. Certain assumptions were made for average wage levels and commuting of workers.

KENTUCKY ENTERPRISE ZONE
Fiscal year 1989

As a companion piece to the Revenue report, data was compiled on new activity which took place in the 10 Enterprise Zones for fiscal year 1989.

Four hundred twelve (412) businesses came into the program. These 412 newly certified businesses contracted for 3,102 NEW jobs and \$299,436,690 NEW capital investment.

All categories are broken down into: manufacturing, wholesale and retail, service, and other.

KENTUCKY ENTERPRISE ZONE PROGRAM
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 3,102

FY 89 New Contracted Capital Investment: \$299,436,690

FY 89 New Qualified Businesses: 412

Breakdown of new qualified businesses:

Manufacturing	111
Wholesale, retail	112
Service	151
Other	<u>38</u>
	412

Louisville Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 1,738

FY 89 New Contracted Capital Investment: \$151,957,475

FY 89 New Qualified Businesses: 249

Breakdown of new qualified businesses:

Manufacturing	79
Wholesale, retail	50
Service	95
Other	25
	<u>249</u>

Hickman Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 23

FY 89 New Contracted Capital Investment: \$862,343

FY 89 New Qualified Businesses: 11

Breakdown of new qualified businesses:

Manufacturing	1
Wholesale, retail	5
Service	5
Other	0
	<u>11</u>

Ashland Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 40
FY 89 New Contracted Capital Investment: \$6,576,389
FY 89 New Qualified Businesses: 11

Breakdown of new qualified businesses:

Manufacturing	1
Wholesale, retail	3
Service	6
Other	1
	<u>11</u>

Covington Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 99

FY 89 New Contracted Capital Investment: \$1,637,000

FY 89 New Qualified Businesses: 12

Breakdown of new qualified businesses:

Manufacturing	2
Wholesale, retail	6
Service	4
Other	0
	<u>12</u>

Owensboro Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 129

FY 89 New Contracted Capital Investment: \$9,221,607

FY 89 New Qualified Businesses: 36

Breakdown of new qualified businesses:

Manufacturing	8
Wholesale, retail	11
Service	13
Other	<u>4</u>
	36

Lexington Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 48

FY 89 New Contracted Capital Investment: \$2,981,044

FY 89 New Qualified Businesses: 17

Breakdown of new qualified businesses:

Manufacturing	4
Wholesale, retail	4
Service	6
Other	3
	<u>17</u>

Knox County Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 70

FY 89 New Contracted Capital Investment: \$15,000,000

FY 89 New Qualified Businesses: 1

Breakdown of new qualified businesses:

Manufacturing	1
Wholesale, retail	0
Service	0
Other	0
	<u>1</u>

Campbell County Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 322

FY 89 New Contracted Capital Investment: \$56,946,388

FY 89 New Qualified Businesses: 26

Breakdown of new qualified businesses:

Manufacturing	5
Wholesale, retail	10
Service	10
Other	1
	<u>26</u>

Paducah Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 184

FY 89 New Contracted Capital Investment: \$3,294,644

FY 89 New Qualified Businesses: 41

Breakdown of new qualified businesses:

Manufacturing	5
Wholesale, retail	23
Service	9
Other	4
	<u>41</u>

Hopkinsville Enterprise Zone
July 1, 1988 - June 30, 1989

FY 89 New Contracted Jobs: 449

FY 89 New Contracted Capital Investment: \$50,959,800

FY 89 New Qualified Businesses: 8

Breakdown of new qualified businesses:

Manufacturing	5
Wholesale, retail	0
Service	3
Other	<u>0</u>
	8

APPENDIX II

LOUISVILLE ENTERPRISE ZONE

LOUISVILLE/JEFFERSON CO.
OFFICE FOR
ECONOMIC DEVELOPMENT

November 13, 1990

Ms. Sara L. Bell
Director, Intergovernmental Relations
Kentucky Cabinet for Economic Development
Capital Plaza Tower
Frankfort, KY 40601

Dear Sara:

As you have requested, we have compiled additional information on the Louisville Enterprise Zone.

From the beginning of the Louisville Enterprise Zone in 1983 through October 30, 1990 there have been 891 companies certified; 281 or 31.5% of the total companies are manufacturers and the remaining 610 or 68.5% are in non manufacturing.

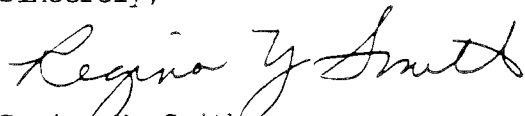
Companies certified under the criteria for "existing businesses" were 460 or 51% of the total certified; 431 companies or 48% were certified as "new companies" to the Zone.

You also asked that we review the files of those companies certifying as new in the Enterprise Zone to determine whether these businesses were start-ups or new ownership, moved into the Zone from other areas of Jefferson County, or whether they moved from outside Kentucky into the Louisville Enterprise Zone. We have reviewed the files of 385 companies and report the following:

	<u># of Companies</u>	<u>Percent</u>
Start-up or New Ownership	302	78%
Moved from other Jefferson County Locations	61	16%
Relocated from Jefferson County	0	
Relocated outside Kentucky	22	6%
	<u>385</u>	<u>100%</u>

If you have any questions, please give me a call.

Sincerely,



Regina Y. Smith
Deputy Director

/hgk



131



HICKMAN-FULTON COUNTY ENTERPRISE ZONE



HICKMAN ENTERPRISE ZONE (EZ2)

Summary of Activities

Firms certified	55	Firms sold did not apply for recertification - 1.
Firms certified no longer in business	14	
Firms moved out of zone	1	Firms in program currently - 39
Category of certified firms currently in operation:		
Manufacturing	5	The majority of firms that have gone out of business were small commercial businesses, new start up businesses by local people.
Commercial	20	
Service/professional	14	
New firms certified	16	
Existing firms certified	23	
New investment in zone	\$28,000,000	Includes purchase of Sigri Carbon facilities.
New jobs created	315	

More than 50% of these jobs went to the targeted workforce.

New certified firm data:

1. Mengel Mart - commercial - new business start up by local people.
2. Riverside Terra Corp. - service - new business start up by local people.
3. Ash-Tex Industries, Inc. - manufacturing - new start up by Tennessee firm.
4. Letitia Carol's Beauty Salon - service - new start up by local people.
5. Farmer's Wife Strawberries - commercial - new start up by local people.
6. Shafa's Clinic - service - new start up by eastern physician.
7. Glass Designs - manufacturing - new start up by local people.
8. Roberson's Car Wash - service - new start up by local people.
9. Gene's Auto Repair - service - new start up by local people.
10. Bryant's Automotive - service - new start up by local people.
11. Hickman Pipe & Tube Corp. - manufacturing - new business from California.
12. Southern Belle Florist - commercial - new business start up by local people.
13. Parker Trucking - commercial - new business start up by local people.
14. Great Lakes Carbon Corp. - manufacturing - New York company which bought Sigri Carbon's closed facilities.
15. Flower's Inc. - commercial - new business start up by local people.
16. Broadway Pizza - commercial - new business start up by local people.

ASHLAND ENTERPRISE ZONE

Ashland, Kentucky Enterprise Zone began February 3, 1984

(EZ - 3)

Number of Certified Businesses by category:

<u>Manufacturing</u>	<u>Commercial</u>	<u>Service/Professional</u>
5	27	16
		6

Total of 54 Certified Businesses.

29 are Existing Businesses

25 are New Businesses

Of the 25 New Businesses:

1 is a change in ownership

1 moved from Boyd County (at former location building was sinking. Owner was considering relocating to the state of West Virginia).

1 is expansion of business from Huntington, W.V.

10 are newly created businesses in the incubator program

12 are newly created businesses.

Total amount of new capital investment in Enterprise Zone:

\$127,240,072.

Total number of new jobs created in Enterprise Zone:

473

Total number of jobs retained in Enterprise Zone:

3685

% of targeted workforce in Enterprise Zone Certified Businesses: 25%

COVINGTON ENTERPRISE ZONE



CITY OF COVINGTON

638 MADISON AVENUE • COVINGTON, KENTUCKY 41011-2298

TO: Sara Bell (EZ 4)

FROM: Leah Konicki
Preservation Specialist

DATE: November 9, 1990

RE: Covington Enterprise Zone Information

Number of businesses in Program: 76 certified
67 remain

Existing: 30

New: 37

Type of Business:

Commercial: 49

Manufacturing: 9

Professional/Service: 9

Amount of Investment: \$108,302,200

Number of New Jobs Created: 1,975

Note: Out of 37 new businesses to Covington 23 businesses were not in existence previously.

LK154

AN AFFIRMATIVE ACTION/EQUAL OPPORTUNITY EMPLOYER
TDD NUMBER 606-292-2333 (HEARING-SPEECH IMPAIRED)

OWENSBORO ENTERPRISE ZONE



October 25, 1990

Ms. Sara L. Bell
Enterprise Zone Coordinator
Kentucky Cabinet for Economic Development
Capital Plaza Tower
Frankfort, Kentucky 40601

Dear Sara:

Attached is the information requested from Enterprise Zone 05, in preparation for the Subcommittee meeting on Enterprise Zones to be held November 15th.

When checking with Roy Russell, Employment Services, I found that they do not have a tracking system for employees from the targeted workforce. He does not know how many people have been referred. I notice one of Senator Schmidt's comments referred to this.

Please call if we can be of further assistance.

Sincerely,

Judy Potéat
O-DC Enterprise Zone
Coordinator

attachment

OWENSBORO-DAVISS COUNTY INDUSTRY, INC.
P.O. BOX 782 • OWENSBORO, KENTUCKY 42302-0782 • PHONE: (502) 926-4335

Owensboro-Daviess County
Enterprise Zone 05

Number of Businesses in Program

Certified Businesses	110
Less Businesses Dissolved	<u>8</u>
Net Certified Businesses	<u>102</u>
Existing Businesses	75
New Businesses	<u>27</u>
Total Certified Businesses	<u>102</u>

Classification of Businesses

	<u>Manufacturing</u>	<u>Commercial</u>	<u>Service/ Professional</u>
Existing Businesses	18	31	26
New Businesses	<u>10</u>	<u>8</u>	<u>9</u>
Total	28	39	35

Origin of New Businesses

New Start Ups	18
Relocated to Zone from within Owensboro-Daviess County	5
Outside Daviess County/State	4

New Capital Investment & Jobs Created
1/1/85 - 9/30/90

	<u>Capital Investment</u>	<u>Jobs Created</u>
Existing Businesses	\$13,531,520	471
New Businesses	<u>17,115,439</u>	<u>827</u>
	\$30,646,959	1,298
Less Jobs & Investment Lost	<u>3,652,500</u>	<u>80</u>
Totals	\$26,994,459	1,218

LEXINGTON ENTERPRISE ZONE

LEXINGTON ENTERPRISE ZONE

July 1, 1988-June 30, 1989

New contracted jobs: 48

New contracted capital investment: \$2,981,044

New qualified businesses: 17

Breakdown of New Qualified Business:

Manufacturing	4
Wholesale, retail	4
Service	6
Other	<u>3</u>
Total	17

KNOX COUNTY ENTERPRISE ZONE

KNOX COUNTY ENTERPRISE ZONE (EZ7)

Summary of Activities

Firms certified	6
New firms certified	3
Existing firms certified	3
Category of Certified Firms	
Manufacturing	6
NEW investment being made	\$25,625,033
NEW jobs being created	220
Total targeted workforce employees hired by NEW certified firms	56 (25%)

New certified firm data:

1. Manufacturers Services Corp. - manufacturer - new start up by local group.
2. Shadow, Inc. - manufacturer - new start up by local group.
3. Firestone Industries Products Co. - manufacturer - new start up; division of Firestone Industrial Products Co.

CAMPBELL COUNTY ENTERPRISE ZONE

CAMPBELL COUNTY ENTERPRISE ZONE PROGRAM

CERTIFIED BUSINESSES

(C) LANLOR OFFICE PRODUCTS
726 Monmouth Street
Newport, Kentucky 41071
Sandra L. Taylor
606-292-0400
EZ8-0001

(C) VICTORIA SQUARE SOUTH
506 Central Avenue
Newport, Kentucky 41071
Dwight W. Broeman
606-581-5303
EZ8-0002

(C) SIMON & FISCHER, INC.
41 East Third Street
Newport, Kentucky 41071
William E. Simon
606-431-5790
EZ8-0003

(S) STAR BANK
810 Monmouth Street
Newport, Kentucky 41071
New Bancshares, Inc.
606-261-5922
EZ8-0004

(C) CUSTOM DRAPES BY PAT *
300 Walnut Street
Bellevue, Kentucky 41073
606-781-6291
EZ8-0005

(S) DESMOND BROTHERS, INC.
217 Fairfield Avenue
Bellevue, Kentucky 41073
606-491-5100
EZ8-0006

(C) ARC ELECTRIC, HTG. & AC.
8 Beacon Drive
Wilder, Kentucky 41076
Robert A. Manning
606-441-7161
EZ8-0007

(M) BELLEVUE IRON WORKS
627 Colfax Avenue
Bellevue, Kentucky 41071
Robert B. Heath
606-581-5303
EZ8-0008

(M) LOUIS TRAUTH DAIRY
56 East Eleventh Street
Newport, Kentucky 41071
David E. Trauth
606-431-7553
EZ8-0009

(C) CARLISLE CONSTRUCTION CO.
840 Licking Pike
Wilder, Kentucky 41071
Wayne Carlisle
606-441-7400
EZ8-0010

(C) EL GRANDE CORPORATION
840 Licking Pike
Wilder, Kentucky 41071
Ray Beil
606-441-7947
EZ8-0011

NEW START

(S) THOMAS W. BEITING, ATTORNEY *
15 East Sixth Street
Newport, Kentucky 41071
Thomas Beiting
606-431-7334
EZ8-0012

(S) HOSEA WORLDWIDE, INC.
9 Beacon Drive
Wilder, Kentucky 41071
David S. Hosea
606-781-4401
EZ8-0013

(C) HILLS BLDG & CONST. SERVICES #1
36-7 Woodlawn Drive
Southgate, Kentucky 41071
Stephen Guttman
606-261-3400
EZ8-0014

* = NEW BUSINESS
** = WHERE NEW BUSINESS CAME FROM
*** = NEW START

PAGE ONE (1)

(C) COMMERCIAL BUSINESS
(M) MANUFACTURING BUSINESS
(S) SERVICE

TOTAL EZ 86
NEW BUSINESS 34
EXISTING BUSINESS 52

(M) SHORT RUN CONTINUOUS, INC.
103 Saratoga Street
Newport, Kentucky 41071
Godfrey Long
606-581-3989
EZ8-0015

(C) VICTOR H. BROWN & SONS *
2622 Alexandria Pike
** NEWPORT, Highland Heights, Kentucky 41076
606-261-4255
EZ8-0016

**
START
(M) JERSON, INC. *
1204 Second Street
Dayton, Kentucky 41074
Jon Sutkamp
606-581-3773
EZ8-0017

(C) KLEE WHOLESALE CO. INC.
1101 York Street
Newport, Kentucky 41071
Paul V. Klee
606-491-3318
EZ8-0018

(C) DAYTON DRUGS, INC.
501 Sixth Avenue
Dayton, Kentucky 41074
606-581-9091
EZ8-0019

NEW START
(C) CENTER PARK PARTNERSHIP *
330 Center Street
Bellevue, Kentucky 41073
Gary S. Hay
606-581-3443
EZ8-0020

(M) I.P.C.S.
511 Fairfield Avenue
Bellevue, Kentucky 41073
Nancy Pendery
606-431-1599
EZ8-0021

(S) COLLABORATIVE ONE ARCHITECTS
329 E. Fourth Street
Newport, Kentucky 41071
Courtney W. Mitchell
606-291-8880
EZ8-0022

(C) NATIONAL REDEVELOPMENT, INC.
State Rt. 8 and Park Drive
Newport, Kentucky 41071
Dwight W. Broeman
513-621-0985
EZ8-0023

(C) TOM RECHTIN HTG. & AC. CO.
640 Colfax Avenue
Bellevue, Kentucky 41073
Tom Rechtin
606-261-8269
EZ8-0024

(S) CARDINAL ENGINEERING CORP.
1 Mooch Road
Wilder, Kentucky 41071
David K. Noran
606-581-9600
EZ8-0025

(C) KLIMAT MASTER POOLS
203 E. Third Street
P.O. Box 166
Newport, Kentucky 41072
Lawrence E. Schindel
606-291-3838
EZ8-0026

(M) DAVE OTTO PRINTING & ENT. GRAPHICS *
200 Clark Street
Dayton, Kentucky 41074
Dave Otto
606-291-7700
EZ8-0027

NEW START
(C) THE NEW ISLANDS *
301 Riverboat Row
Newport, Kentucky 41071
Richard Schilling
606-581-9000
EZ8-0028

* = NEW BUSINESS

PAGE TWO (2)

**
INTL, OHIO (M) METROPOLITAN PRINTING COMPANY *
Benham Street, Dayton, Ky. 41074
2414 River Rd., Cinti, Ohio 45204
513-921-8222
EZ8-0029

(M) THE DAVID J. JOSEPH CO.
1220 Licking Pike
South Gate of Newport Steel Corp.
Wilder, Kentucky 41071
MAILING: P.O. Box 1078
Cincinnati, Ohio 45201
Jere R. McIntyre, Controller
EZ8-0031

(C) WEIDEMANN SQUARE *
SIXTH & COLUMBIA STREETS
NEWPORT, KENTUCKY 41071
Burgess L. Doan
513-621-0985
EZ8-0033

EW START

(C) WATERTOWN MARINA *
ROUTE 8, DAYTON, KY 41074
Amrel-Byrnes Co.
11399 Grooms Rd. Cinti, Ohio.
Sonny Lodder
513-489-9400
EZ8-0034

NEW START

(C) ALL-SEASONS CAR WASH *
55 Donnemeyer Drive
Bellevue, Kentucky 41073
William R. Newman
606-781-2169
EZ8-0035

(C) KEY STORAGE
206 Vine Street
Wilder, Kentucky 41071
Donald L. Wasson
606-491-3200
EZ8-0036

(C) REES HARDY, INC.
800 Licking Pike
Wilder, Kentucky 41071
Rees Hardy
606-781-1165
EZ8-0037

(S) ENG. & MAINTENANCE RES. (EMR)
1032 Saratoga Street
Newport, Kentucky 41071
Ed Mader, Jr.
606-371-2400
EZ8-0038

(M) BLINDS DIRECT
15 East Eight Street
Newport, Kentucky 41071
Phil Andriot
606-261-0100
EZ8-0039

(M) ADVERTISER PRINTERS, INC.
320 Clay Street
Dayton, Kentucky 41074
David Rust
606-431-4901
EZ8-0040

(S) MOWER CLINIC, INC.
1007 Monmouth Street
Newport, Kentucky 41071
Jerome Steltenphol
606-261-6694
EZ8-0041

(M) OTTO ZIMMERMAN & SONS CO., INC.
120 East Third Street
Newport, Kentucky 41071
Ernest S. Zimmerman
606-261-4263
EZ8-0042

* = NEW BUSINESS

PAGE THREE (3)

- (S) ART'S RENTAL EQUIPMENT CO.
SALES*215 East Sixth Street
Newport, Kentucky 41071
Kenneth L. Arlinghaus
606-431-4519
EZ8-0043
- (S) LOUIS CRAWFORD & ASSOCIATES
P.O. Box 125
700 Fairfield
Bellevue, Kentucky 41073
606-581-2088
EZ8-0045
- (S) THE RENTAL STORE *
840 Monmouth Street
Newport, Kentucky 41071
Tom Stoll
606-261-4100
EZ8-0047
- ***
NEW START
- (M) BEACON PRINTING COMPANY
938 Monmouth Street
Newport, Kentucky 41071
Tom Parr
606-581-6244
EZ8-0049
- (C) NEWPORT BEACH, INC. *
301 Riverboat Row
Newport, Kentucky 41071
Nathan Comisar
606-581-9000
EZ8-0051
- ***
NEW START
- (C) BELLEVUE HOME IMPROVEMENT
238 Grandview Avenue
Bellevue, Ky. 41073
Kenneth Grause
606-491-0100
EZ8-0053
- (C) SUMEREL TIRE SERVICE, INC.
700 Brighton Street
P.O. Box 278
Newport, Kentucky 41071
Thomas Sumeral
606-261-4613
EZ8-0055
- (C) LODDERS' WATERTOWN MARINE
1301 Fourth Street
Dayton, Kentucky 41074
Sonny Lodder
606-261-0330
EZ8-0044
- (M) WENDLING PRINTING COMPANY
P.O. Box 400
111 Beech
Newport, Kentucky 41071
606-261-8300
EZ8-0046
- (C) DISPLAY SPECIALITIES
9 Beacon Drive
Wilder, Kentucky 41071
Doug Bray/Laura Alexander
606-781-7711
EZ8-0048
- (M) KINDUELL SCREEN PRODUCTS
110 Center Street
Wilder, Kentucky 41071
James Kinduell
606-581-5444
EZ8-0050
- (C) PEPPER POD RESRAURANT
703 Monmouth Street
Newport, Kentucky 41071
William E, Barton, Jr.
606-431-7455
EZ8-0052
- (C) RIVERSIDE MARKET, INC
118 Sixth Avenue
Dayton, Ky. 41074
Jerome Kremer
606-491-5535
EZ8-0054
- (S) FENDER'S WRECKER SERVICE, INC.
130 West Eighth Street
Newport, Kentucky 41071
J. Rodney Poynter
606-261-2600
EZ8-0056

*=NEW BUSINESS

PAGE FOUR (4)

- | | |
|--|--|
| <p>(S) HUNTINGTON BANKS OF CAMPBELL CO.
15 Donnermeyer Drive
Bellevue, Ky. 41073
Rick Lux
606-491-3339
EZ8-0057</p> | <p>(C) FIVE STAR FOOD SERVICES*

NEW START
136 East Fifth Street
Newport, Kentucky 41071
Patti Hatfield
606-491-4133
EZ8-0058</p> |
| <p>(M) NEWPORT STEEL CORPORATION
Licking Pike
Wilder, Kentucky 41071
Dennis Eggleston, President
606-292-6000
EZ8-0059</p> | <p>(M) HI-GEAR COMPANY
515 West Seventh Street
Newport, Kentucky 41071
LaVerne Creamer
606-291-0160
EZ8-0060</p> |
| <p>***
NEW START</p> <p>(C) SUPERX DRUGS *
51 Donnermeyer Drive
Bellevue, Kentucky 41073
Anthony Forcellini
513-782-3000
EZ8-0061</p> | <p>(M) IMPAK GRAPHICS
1211 Brighton Street
Newport, Kentucky 41071
Roger Evans
606-581-5888
EZ8-0062</p> |
| <p>(M) PLAINVILLE CONCRETE
1310 Licking Pike
Wilder, Kentucky 41071
James Keetheer
606-781-4117
EZ8-0063</p> | <p>**
CINTI, O.</p> <p>(M) POWDER KOTE INDUSTRIES *
11th and Lowell Streets
Newport, Kentucky 41071
James Wagner
513-381-8680
EZ8-0064</p> |
| <p>***
NEW START</p> <p>(C) KENTUCKY BEVERAGE DISTRIBUTING *
106 North Street
Wilder, Kentucky 41071
J.A. Morgeson
513-721-1040
EZ8-0065</p> | <p>(C) SKIP'S SERVICE CENTER
600 Sixth Avenue
Dayton, Kentucky 41074
Richard Gabel
606-491-6592
EZ8-0066</p> |
| <p>***
NEW START</p> <p>(C) GOAT TOWN *
610 Sixth Avenue
Dayton, Kentucky 41074
Richard Gabel
606-491-6592
EZ8-0067</p> | <p>***
NEW START</p> <p>(C) SOUTHSORE DEV. UNLIMITED *
608 Sixth Avenue
Dayton, Kentucky 41074
Richard Gabel
606-491-6592
EZ8-0068</p> |
| <p>**
CINTI, O.</p> <p>(M) MICHAEL'S COLOR SERVICE *
Second & Benham Streets
Dayton, Kentucky 41074
Michael Peters
513-922-3003
EZ8-0069</p> | <p>***
NEW START</p> <p>(S) RES/COMM SECURITY SYSTEMS *
225 Fairfield Avenue
Bellevue, Kentucky 41073
Vince Stricklien
606-341-0220
EZ8-0070</p> |

* = NEW BUSINESS

PAGE FIVE (5)

	(S)	COMBINED LOCK SERVICE 1023 Monmouth Street Newport, Kentucky 41071 Robert Boss 606-581-7177 EZ8-0071		(M)	CINCINNATI GRAVURE CORP * 901 Second Street Dayton, Kentucky 41074 Thomas Roesener 513-922-1255 EZ8-0072
*** NEW START	(C)	THE REEF * 1301 Fourth Street Dayton, Kentucky 41074 John Vieth 606-261-8800 EZ8-0073	*** NEW START	(S)	CRAIG'S EXPRESS, INC * 1101 York Street Newport, Kentucky 41074 Paul V. Klee 606-291-2818 EZ8-0074
*** NEW START	(C)	GRAY STONE OF KENTUCKY * 5 Beacon Drive Wilder, Kentucky 41071 Monque Darnay 606-739-2743 EZ8-0075		(M)	STEINHAUSER, INC 207 East Fourth Street Newport, Kentucky 41071 Robert Steinhauser 606-491-7900 EZ8-0076
*** NEW START	(C)	DALLAS A EQUIPMENT, INC. * 6 Beacon Drive Wilder, Kentucky 41071 Dallas A. Sandlin 606-781-7373 EZ8-0077	** CINTI, O.	(M)	CALKINS-RYAN, INC. * 37 Fairway Drive Southgate, Kentucky 41071 Richard M. Ryan 606-441-7663 EZ8-0078
*** NEW START	(C)	UNITED DAIRY FARMERS * 425 Licking Pike Wilder, Kentucky 41071 Kris Pettit 513-396-8700 EZ8-0079	** CALIFORNIA	(M)	HENIZ PET PRODUCTS COMPANY * 1 Riverfront Place Newport, Kentucky 41071 Michael Jon Bertasso, V.P. 213-590-3417 EZ8-0080
*** NEW START	(M)	BLUEGRASS PRINTING * 82 Campbell Drive #7 Highland Heights, Kentucky 41076 Mr. Suresh Patel 606-572-4349 EZ8-0081	LEXINGTON	(S)	M&W EXCAVATION CO., INC. * 915 Johns Hill Road Highland Heights, Kentucky 41076 Charles L. King, Treasurer 606-635-3431 EZ8-0082
	(M)	LIBERTY PRODUCTS, INC. 915 Liberty Street Newport, Kentucky 41071 Homer E. Gemmer, President 606-431-8780 EZ8-0083	** MIDDLETOWN O	(M)	A.E.P. FLEXCO, INC. * 200 Benham Street Dayton, Kentucky 41074 Charles E. Deye, Jr. President 606- EZ8-0084

*=NEW BUSINESS

PAGE SIX (6)

** (S) SERVICE INDUSTRY RESEARCH SYSTEMS * (M) VALUE DRYWALL COMPANY *
CINTI, O. NKU Foundation, Tesseneer Drive 120 Center Street
Highland Heights, Kentucky 41076 ** Wilder, Kentucky 41071
Christopher Ohlinger, President COLD John J. McCormick
606- SPRING 806-781-6111
EZ8-0085 EZ8-0086

PADUCAH ENTERPRISE ZONE

THE CITY OF PADUCAH

PLANNING and COMMUNITY DEVELOPMENT
CITY HALL, P. O. BOX 2207

PADUCAH, KENTUCKY 42001

FACSIMILE TRANSMITTAL COVER SHEET

RE: Enterprise Zone

DATE: 11-12-90

PAGE 1 of 1
(including cover sheet)

TO FAX 564-3256

RECIPIENT Sara Bell

FROM FAX 444-8633

SENDER Rod Dittmer

TELEPHONE # 444-8622

ADDRESS 500 Clark Paducah

IF YOU DO NOT RECEIVE ALL OF THE PAGES BEING TRANSMITTED, PLEASE CALL US.

Total # Pledged targeted jobs = 102

CITY OF PADUCAH
ENTERPRISE ZONE ESTIMATES

- TOTAL NEW CAPITAL INVESTMENT AND NEW JOBS CREATED* -

New Job Generation

	<u>New Businesses</u>	<u>Existing Businesses</u>	<u>Total Jobs Created</u>
Manufacturing	20	380	400
Commercial	87	311	398
Service	<u>87</u>	<u>970</u>	<u>1,057</u>
TOTALS:	194	1,661	1,855

New Capital Investment

	<u>New Businesses</u>	<u>Existing Businesses</u>	<u>Total New Cap. Inv.</u>
Manufacturing	98,558.06	2,130,336.28	2,228,894.34
Commercial	1,198,893.07	2,024,715.66	3,223,608.73
Service	<u>762,109.40</u>	<u>20,194,945.91</u>	<u>20,957,055.31</u>
TOTALS:	\$2,059,560.53	\$24,349,997.85	\$26,409,558.38

*Totals include EZ Survey results plus application commitments of non-responding firms.

THE CITY OF PADUCAH

PLANNING and COMMUNITY DEVELOPMENT
CITY HALL, P. O. BOX 2267

PADUCAH, KENTUCKY 42001

FACSIMILE TRANSMITTAL COVER SHEET

RE: Enterprise Zone

DATE: 11/12/90

PAGE 1 of 2
(including cover sheet)

TO FAX 564-3256

RECIPIENT Sara Bell

FROM FAX 444-8633

SENDER Rod Dittmer

TELEPHONE # 444-8542

ADDRESS 500 Clark St. Paducah

IF YOU DO NOT RECEIVE ALL OF THE PAGES BEING TRANSMITTED, PLEASE CALL US.

Total # Certified 119

Existing: 66

New: 53

Manufacturing
13

Service
52

Commercial
54

Following is EZ letter as per your request #3. Targeted workforce info to follow.

CITY OF PADUCAH
 SURVEY OF ENTERPRISE ZONE PARTICIPANT
 E - Z JOB AND CAPITAL INVESTMENT

<u>Existing Businesses</u>	<u>Initial Cap. Value</u> ²	<u>Current Cap. Value</u>	<u>% Increase</u>	<u>Initial Pledged Jobs</u>	<u>Current</u>	<u>% Increase</u>
Manufacturing	3,881,126.72	5,761,43.00	48%	291	378	29%
Commercial	2,935,102.52	4,864,38.18	66%	254	301	19%
Service	24,839,352.09	41,674,28.32	68%	622	865	39%
Sub Total	<u>31,655,581.33</u>	<u>52,300,19.50</u>	<u>65%</u>	<u>1,167</u>	<u>1,544</u>	<u>32%</u>

<u>New Businesses</u>	<u>Initial Cap. Value</u>	<u>Current Cap. Value</u>	<u>% Increase</u>	<u>Initial Pledged Jobs</u>	<u>Current</u>	<u>% Increase</u>
Manufacturing	104,389.12	202,97.18	94%	10	20	100%
Commercial	554,652.52	1,753,55.59	216%	36	59	64%
Service	1,392,666.59	2,154,75.99	57%	95	67	-29%
Sub Total	<u>2,051,708.23</u>	<u>4,111,28.76</u>	<u>100%</u>	<u>141</u>	<u>146</u>	<u>4%</u>
GRAND TOTALS	<u>33,707,289.56</u>	<u>56,411,38.26</u>	<u>67%</u>	<u>1,308</u>	<u>1,690</u>	<u>29%</u>

Footnotes

¹ 62.5% responding as 11/1/90

² Initial Applicant's Investment/Employment or New Jobs Pledges

³ Due to McDonald's Fall Off after Start-Up Employment

CITY OF PADUCAH
ENTERPRISE ZONE

Original Location of New Businesses Locating in the Enterprise Zone:

No. originally outside of E-Z in McCracken County 1

No. originally outside of E-Z outside of McCracken County 1

Point of original location outside the EZ:

Manufacturing: 0

Commercial: 2 (1 from Benton, Kentucky, Marshall County; 1 from Lone Oak, Kentucky, McCracken County)

Service: 0

HOPKINSVILLE ENTERPRISE ZONE

HOPKINSVILLE ENTERPRISE ZONE (EZ-10)

SUMMARY OF ACTIVITY

Firms Certified	34
Firms De-certified	1
Current Certified Firms	33
New Firms Certified	13
Existing Firms Certified	20
Category of Certified Firms (New)	
Manufacturing	4
Commercial	6
Service and Professional	3
New Investment Being Made	\$ 79,499,348.00
New Jobs being Created	810
Total Employees Hired by New Certified Firms to Date	645
Total Targeted Workforce Employees Hired by New Certified Firms to Date	212 (33%)

* Some firms have not reached capacity yet

NEW CERTIFIED FIRM DATA

1. American Speedy Print - New Service - Local
2. Baraka Enterprised - New Retail - Local
3. Ben's Tire and Wheel - New Retail - Local
4. Brazeway, Inc. - New Manufacturing - Branch of Brazeway, Inc.
Adrian, MI
5. CoPar, Inc. - New Manufacturing - Branch of CoPar Interna-
tional, Japan and Canada
6. Dana Corp. - New Manufacturing - Branch of Dana Corp.
Reading, PA
7. Deutz's Cafe - New Restuarant - Local
8. Edward D. Jones Co. - New Investment Firm - Branch of Edward
Jones, Maryland Heights, MO
9. Hays Furniture - New Retail - Local
10. Schrecker Jewelry - New Retail - Local
11. American Precision Machinery - New Manufacturing - Branch of
Mitsubishi Heavy Industries of America
12. Pro Lube - New Service - Local
13. Taliwhackers - New Restuarant and Bar - Local

HOPKINSVILLE INTERPRISE ZONE
 CONSOLIDATED REBATES REPORT
 FOR THE YEAR 1990

COMPANY	NEH OR EXT	PAY ROLL TAX		PAY ROLL TAX		PAY ROLL TAX		BASE 1990 BUS LIC		CURR PROP TAX		PROP TAX REBATE 90-91		TOTAL 1990 REBATES	PRIOR YEAR REBATES	GRAND TOTAL ALL REBATES
		QTR1-90	QTR2-90	QTR3-90	QTR4-90	ROLL TAX	ROLL TAX	ROLL TAX	1990 BUS LIC	BASE PROP TAX	PROP TAX	PROP TAX	PROP TAX			
EAST TOOL INC	NEH	736.70	593.95	578.92	0.00	1909.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1909.57	17875.51	19785.08
DEPRESSIVE INC	NEH	313.07	196.89	417.54	0.00	927.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	927.50	197.61	1125.11
DEPTOWN INC	EXT	4598.61	4171.86	4095.89	0.00	12866.36	0.00	88	3813.13	0.00	3813.13	0.00	0.00	12866.36	12709.89	25576.25
DEPTOWN INC	NEH	15123.33	25650.90	0.00	0.00	40774.23	200.00	0.00	0.00	0.00	0.00	0.00	0.00	40974.23	4453.10	45427.33
DEPTOWN INC	NEH	8263.81	6364.21	0.00	0.00	14648.02	150.00	87	0.00	0.00	0.00	0.00	0.00	14798.02	37781.71	52579.73
DEPTOWN INC	EXT	1277.32	954.79	1077.20	0.00	3309.31	0.00	88	1008.20	1517.00	508.80	508.80	0.00	3818.11	6409.56	10227.67
TOTAL		30332.84	37932.60	6169.55	0.00	74434.99	350.00		4821.33	1517.00	3304.33	508.80	0.00	75293.79	79427.38	154721.2

THIS PROGRAM IS DESIGNED SO THAT ALL NEH'S PAY FORWARD TO THE T.D. TOTAL AND TO THE GRAND TOTAL WITH THIS PROGRAM BE KNOWN EXACTLY HOW MUCH THE INTERPRISE ZONE HAS COST THE CITY



*Knowledgeable Service Through
Information, Experience,
And Education*

November 6, 1990

Ms. Kathy Campbell
Legislative Research Commission
Capitol Annex, Room 238
Frankfort, KY 40601

Dear Ms. Campbell:

Enclosed are my suggestions, as requested, concerning the best way to monitor the tax exempt purchases as permitted by the Enterprise Zone regulations. Additionally, I am enclosing, as requested, the system we use to monitor activity in the Hopkinsville Enterprise Zone.

My suggestion is for local zone administrators to monitor all tax exempt purchases in their zones and forward the information to the appropriate state authority. I realize this will be difficult, if not impossible, for a zone as large as Louisville to perform this service, but the local administrator is in the best position to monitor activities in their zones.

I hope to attend the November 15th meeting and I will be happy to answer any questions at that time.

Sincerely,

Albert Finley
Enterprise Zone Administrator

AF:lv

Enclosures

TAX EXEMPTION FORMS

1. Develop three (3) part tax exemption forms. One copy for vendor, one for local administrator, and one to be forwarded to state.
2. All tax exemption forms should be signed and issued only by the local administrator.
3. Local administrator should monitor all purchases made with tax exemptions forms, gather information concerning forms and forward all information to the appropriate state authority.
4. Require itemized statement from vendor for all items purchased with a tax exemption form to be sent to local administrator.
5. Require notification of local administrator when work is completed concerning building and equipment.
6. Specify on forms if work to be done is new construction or rehabilitation.
7. Specify cost estimate of material and equipment.
8. Require vehicle status report of all vehicles purchased with exemption forms to be filed with local administrator each six (6) months.
9. Require notification of the local administrator if vehicle is disposed of stating reason for disposal, and date of disposal.
10. Compensation to the local zones must be considered since local monitoring will add considerably to the workload of the local zones.

SUMMARY RECAP

This program is to monitor each existing business in relation to the required increased investment and employment. The program also monitors new business activity. With this program we can determine total investment and employment that has been made in our zone. We send out forms each six (6) months to keep program updated.

Column

- 1 Name, address and phone number of company - contact person - Enterprise Zone number
- 2 Date of certification - five (5) years from date of certification (certified businesses are eligible for local incentives for five (5) years)
- 3 Eighteen (18) months from date of certification (state requirement to fulfill contract)
- 4 Verification of company compliance (investment or employment)
- 5 Criteria used on application for certification
- 6 Estimated new investment
- 7 Minimum investment required
- 8 Actual investment
- 9 Estimated new employment
- 10 Number of employees when certified
- 11 Minimum employee increase required
- 12 New employees hired

ENTERPRISE ZONE
CRITERIA VERIFICATION

COMPANY NAME	_____
DATE CERTIFIED	_____
ENTERPRISE ZONE #	_____
CRITERIA USED FOR CERTIFICATION	_____
DEADLINE FOR MEETING CRITERIA	_____
ESTIMATED INVESTMENT ON APPLICATION	_____
MINIMUM INVESTMENT NEEDED	_____
TOTAL INVESTMENT TO DATE	_____
ESTIMATED ADDITIONAL INVESTMENT TO BE MADE	_____
ESTIMATED NEW EMPLOYMENT ON APPLICATION	_____
MINIMUM NEW EMPLOYEES NEEDED	_____
NEW EMPLOYEES TO DATE	_____
ESTIMATED ADDITIONAL EMPLOYEES TO BE HIRED	_____

AUTHORIZED SIGNATURE

DATE

STATUS OF QUALIFIED EMPLOYEES BY COMPANY

This program is to monitor our local one and one-half (1 1/2) percent payroll tax rebate incentive. Certified companies are eligible to receive the payroll tax rebate on each qualified employee up to \$1,000.00 or for five (5) years, whichever occurs first. Additionally, this program monitors targeted workforce employees, terminated employees and their replacement. The program is geared to monitor employees by job position.

Column #

- 1 Name of qualified employee
- 2 Social Security Number
- 3 Employee eligibility verified by local administrator
- 4 Date of employment
- 5 Local incentive expiration date (five (5) years from employment date)
- 6, 7, 8 and 9 Amount of payroll tax rebate by quarter (local incentive)
- 10 Total payroll tax rebate year-to-date
- 11 Total payroll tax rebated previous years
- 12 Grand total payroll tax rebated
- 13 Targeted workforce criteria met (1=yes, 0=no)
- 14 Used to give total number of qualified employees
- 15 If an employee replaces another employee, the replaced employee's name is entered here
- 16 Amount of payroll tax rebated to replaced employee is entered here. This amount is added to new employee. Additionally the new employee assumes the replaced employee's employment date.

DATE

x
x
x

Dear

Enclosed is a list of employees that have been verified by your company as Enterprise Zone employees. Accordingly, you are permitted to file for payroll tax rebates on said employees.

According to our records, the payroll tax is no longer being withheld from the listed employees so we must assume they are no longer employed by your firm.

Please complete the enclosed employee status form and return to me ASAP. This information is necessary to assure continued compliance with regulations set forth by the City of Hopkinsville concerning Enterprise Zone rebates.

Your prompt response will be appreciated.

Sincerely,

Albert Finley
Enterprise Zone Administrator

AF:lv

EASY TOOL INC E210-0000
MAIN STREET HOPKIN KY 42240
U. B. WRIGHT 502-999-9999
DATE CERTIFIED (ANY TIME)

NAME	SOC SEC #	YR	EMPLOY DATE	INCOB EXPIRED DATE	1ST QTR 1990	2ND QTR 1990	3RD QTR 1990	4TH QTR 1990	YEAR TO DATE	PRIOR YEARS	TOTAL PAID AMOUNT	CRIT MET	TOTAL EMPLOY	REPLACE AMOUNT	REPLACE AMOUNT
BAILEY JAMES D.	400-74-9999	TES	06/15/88	08/15/93	187.99	0.00	0.00	0.00	187.99	812.01	1000.00	0	1	1000.00	0.00
BROCKSTREET RAY	408-54-9999	TES	06/20/88	06/20/93	34.28	53.97	52.77	0.00	161.00	326.42	487.42	0	1	487.42	0.00
BRANTSTONE R. JOSEPH	407-13-9999	TES	01/05/89	01/05/94	41.32	57.31	37.83	0.00	116.46	137.18	253.64	1	1	253.64	0.00
CHAPOTT BERNET R.	248-61-9999	TES	06/22/88	06/22/93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	1	0.00	0.00
DOE JANE E.	403-86-9991	TES	02/29/88	02/28/93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	1	0.00	117.20
FREDRICK JOHN	532-98-9999	TES	05/17/88	05/17/93	36.68	36.96	36.69	0.00	110.35	203.31	313.66	1	1	313.66	0.00
GROWESTAND WEL	402-86-9999	TES	01/09/89	01/09/94	101.28	98.68	97.64	0.00	297.60	355.17	652.77	0	1	652.77	0.00
HOPKIN EDWARD	403-80-9999	TES	05/02/88	05/02/93	116.28	115.92	115.92	0.00	348.12	647.17	995.29	0	1	995.29	0.00
HORIZON JUDY	405-06-9999	TES	03/14/88	03/14/93	38.55	36.67	37.52	0.00	112.74	221.86	334.60	1	1	334.60	0.00
WRIGHT WALTER	401-04-9999	TES	06/05/89	02/28/93	36.93	37.61	39.71	0.00	110.25	189.33	299.58	0	1	299.58	117.20
WRIGHT V. B.	430-86-9999	TES	05/01/89	05/01/94	90.00	144.31	140.86	0.00	375.17	367.28	742.45	0	1	742.45	0.00
WRIGHT V. B.	404-56-9999	TES	09/05/89	09/05/94	33.61	32.50	23.96	0.00	89.89	38.86	128.75	1	1	128.75	0.00
*** Total ***					936.70	593.95	576.92	0.00	1909.57	3296.59	5206.16	4	12	5206.16	0.00

IF A COMPANY IS NO LONGER EMPLOYING THE EMPLOYEE THE EMPLOYEE SHOULD BE NOTIFIED AND THE COMPANY SHOULD BE NOTIFIED TO THE COMPANY I BELONGS TO THAT THE EMPLOYEE HAS BEEN TERMINATED AND IF SO I AM THEN TO SUBMIT THE NAME AND IRREVOCABLE INFORMATION ON THE NEW EMPLOYEE WHO TOOK THEIR PLACE

WHEN I RECEIVE THE INFORMATION ON THE REPLACEMENT EMPLOYEE I WILL IN THE INFORMATION AND TRANSMIT ALL RECORDS MADE FROM THE RECORDS FROM THE NEW EMPLOYEE

WHEN AN EMPLOYEE REACHES THE END OF THE INCENTIVE PERIOD THE EMPLOYEE WILL RECEIVE THE FULL AMOUNT OF THE INCENTIVE

HOPKINSVILLE ENTERPRISE ZONE
STATUS OF EMPLOYEES

NAME OF CERTIFIED EMPLOYEE	SOC. SEC. NUMBER	DATE OF EMPLOY.	JOB POSITION	DATE TERM.	NAME OF REPLACEMENT	SOC. SEC. NUMBER	DATE OF EMPLOY.	JOB POSITION

Company: _____ Authorized Signature _____ Date _____

CONSOLIDATED REBATE REPORT

This program is to monitor total rebates made to individual companies year-to-date and total of all rebates made to each company. Each company is eligible for local incentives for five (5) years. With this program, we can tell exactly how much the local incentives have cost the city on any given date.

Column

- 1 Name of certified company
- 2 How certified (new or existing company)
- 3, 4, 5, and 6 Payroll tax amount rebated to company by quarter (local incentive)
- 7 Year-to-date payroll tax rebated
- 8 Business license amount rebated (local incentive)
- 9 Same as year of certification (local incentive provides for 100% rebate of real property tax for new business for five (5) years and for rebate of any increase in real property tax for existing business for five (5) years.
- 10 Amount of real property tax paid before certification
- 11 Amount of current property tax
- 12 Amount of real property tax eligible for rebate (applies to existing business - amount eligible is any increase from base year amount to current year)
- 13 Total real property tax actually rebated
- 14 Total rebates year-to-date
- 15 Total rebates made in prior years
- 16 Grand total of all rebates made to company

CITY OF HOPKINSVILLE

EMPLOYEE DATA SHEET FOR ENTERPRISE ZONE (E.Z.)

TYPE BUSINESS _____

TOTAL EMPLOYEES BEFORE E. Z. APPROVAL _____
 TOTAL EMPLOYEES NOW _____
 AS OF DATE _____

NAME & ADDRESS	SOC. SEC. #	EMPLOYMENT DATE	JOB TITLE OR DESCRIPTION	SALARY	Public Assistance for 90 Days Prior to Hire		Unemployed for 90 Days Prior to Hire		Resident of E. Z.		Current	
					YES	NO	YES	NO	YES	NO	PART-TIME	FULL-TIME

VERIFIED _____ Date _____
 VERIFIED _____ Date _____
 Authorized Employment Services Signature _____ Authorized Company Signature _____

APPENDIX III

LOUISVILLE ENTERPRISE ZONE

LOUISVILLE ENTERPRISE ZONE

LOUISVILLE ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle											Over \$100,000		
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000				
Alfa														
BMW	1	1		2										
Buick	1	3												
Cadillac	1	5	18	1										
Chevrolet	197	115	6											
Chrysler		24	2											
Dodge	25	90	16											
Ford	95	148	19	2	9	2			1					
Geo		1												
GMC	19	16	3											
Honda		1												
Inter'ntl	25	18	15	10	2					10	4	9		
Isuzu	7	5		1										
Jeep		3												
Lexus				1	2									
Lincoln	2	2	9	1										
Mazda	1	4												
MAZDA	2	3	1	6		2			1					1

LOUISVILLE ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes	1				1						
Mercury		11									
Mitubishi		1	2								
Nissan	3	14	2								
Oldsmobile	9	6									
Plymouth	5	37									
Pontiac	13	4									
Subaru											
Toyota	10	4	3								
Volkswagon	1										
Other:											
WHITT	2	1		5							
Porsche					1		1				
Saab							1				
Volvo		1									
PETE							1				
AMC						2					
KLNW	1										1

LOUISVILLE ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
HINO				2							
FREI TRACTOR			1								
FRHT CB11	1										
Unknown House Car	1										

LOUISVILLE ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000	
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Alfa												
BMW		3	1	1	1							
Buick	5	7	4									
Cadillac	2	2	7	3								
Chevrolet	135	167	11	2								1
Chrysler	1	33										
Dodge	73	128	1									
Ford	161	218	23	11	21		1					1
Geo												
GMC	25	25	8	13								
Honda	1	4										
Inter'ntl	25	20	7	13	4	1	8	3	13			
Isuzu	7	1										
Jeep		3	4									
Lexus												
Lincoln	1	5	12	5								
Mazda	5	2										
MAK	6	1	2			1	8	2				

LOUISVILLE ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes	1	1	1	2	2	1					
Mercury	7	15									
Mitsubishi											
Nissan	39	10									
Oldsmobile	5	28	7								
Plymouth	57	58									
Pontiac	4	17	2								
Subaru											
Toyota	10	25									
Volkswagon	2										
Other:											
Lotus						1					
Saab				2							
Jaguar		2	1		2						
Porsche						1					
Volvo	2	2	1	1							
Rove Ranger			1								
KI NW	2	1		1							

LOUISVILLE ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
PETE		4						1			
PTRB	1										
IVEC Truck			1								
FRHT	1	2	1								
UTIL		1									
WHITT		1									
HINO		1									
Auto Constrk		1									
FREI	1	1									
CHAM		1									
Unknown	3										

HICKMAN-FULTON COUNTY ENTERPRISE ZONE

HICKMAN-FULTON ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Alfa											
BMW											
Buick											
Cadillac											
Chevrolet	1	2									
Chrysler	1										
Dodge											
Ford	5	2									
Geo											
GMC											
Honda											
Inter'ntl	1			1							
Isuzu	1										
Jeep											
Lexus											
Lincoln		1									
Mazda											
MAK	2										

HICKMAN-FULTON ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Mercedes											
Mercury											
Mitsubishi											
Nissan											
Oldsmobile											
Plymouth											
Pontiac											
Subaru											
Toyota											
Volkswagon											

Other:

HICKMAN-FULTON ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Alfa											
BMW											
Buick	2										
Cadillac	1		1								
Chevrolet	1	2									
Chrysler	1	1									
Dodge	1										
Ford	3	7									
Geo											
GMC											
Honda											
Inter'ntl	3										
Isuzu											
Jeep											
Lexus											
Lincoln			1								
Mazda											
MAK											

HICKMAN-FULTON ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes											
Mercury	1										
Mitsubishi											
Nissan		1									
Oldsmobile											
Plymouth	1										
Pontiac											
Subaru											
Toyota		1									
Volkswagon											
Other:											
MALL Sprinte											

ASHLAND ENTERPRISE ZONE

ASHLAND ENTERPRISE ZONE TRANSACTIONS—JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Alfa											
BMW											
Buick	2										
Cadillac											
Chevrolet	32	1									
Chrysler	1	1	1								
Dodge		1									
Ford	2	2									
Geo											
GMC		2	1								
Honda											
Inter'ntl		1									
Isuzu											
Jeep											
Lexus											
Lincoln			1								
Mazda											
MAZDA			2								

ASHLAND ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Mercedes											
Mercury											
Mitsubishi											
Nissan											
Oldsmobile	1										
Plymouth		2									
Pontiac											
Subaru											
Toyota											
Volkswagon											
Other:											
WELL	1										

ASHLAND ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Alfa											
BMW											
Buick											
Cadillac	1										
Chevrolet	14	9									
Chrysler	1		1								
Dodge	7	16									
Ford	1	4									
Geo											
GMC	2	1	1								
Honda											
Inter'nt'l						1					
Isuzu											
Jeep											
Lexus											
Lincoln											
Mazda											
MACK											

ASHLAND ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes											
Mercury											
Mitsubishi											
Nissan		1									
Oldsmobile	1										
Plymouth	10	9									
Pontiac											
Subaru											
Toyota											
Volkswagon											
Other:											

COVINGTON ENTERPRISE ZONE

COVINGTON ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Alfa											
BMW											
Buick											
Cadillac		1	2								
Chevrolet	34	5	1								
Chrysler	1										
Dodge	3	12									
Ford		1	1								
Geo											
GMC		1									
Honda											
Inter'ntl											
Isuzu											
Jeep											
Lexus											
Lincoln											
Mazda		1									
MAK											

COVINGTON ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Mercedes											
Mercury											
Mitsubishi											
Nissan	1	1									
Oldsmobile	1										
Plymouth	1										
Pontiac											
Subaru											
Toyota	17	10									
Volkswagon											

Other:

COVINGTON ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Alfa											
BMW											
Buick											
Cadillac		1	4								
Chevrolet	37	6		1							
Chrysler	1										
Dodge	47	37									
Ford	4										
Geo											
GMC		2									
Honda											
Inter'ntl											
Isuzu											
Jeep											
Lexus											
Lincoln		1									
Mazda											
MAK											

COVINGTON ENTERPRISE ZONE TRANSACTIONS---AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Mercedes											
Mercury		1									
Mitsubishi											
Nissan											
Oldsmobile	1	2									
Plymouth	1	1									
Pontiac											
Subaru											
Toyota											
Volkswagon											
Other:											
Porsche											
ITAS						1					

OWENSBORO ENTERPRISE ZONE

OWENSBORO ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Aiifa											
BMW											
Buick	2	1									
Cadillac											
Chevrolet	12	22									
Chrysler	1										
Dodge	2	4									
Ford	14	11	1	3							
Geo											
GMC	1	2									
Honda	1										
Inter'ntl	6										
Isuzu	5	1									
Jeep		1									
Lexus											
Lincoln		1									
Mazda	4								1		
MACK	1										

OWENSBORO ENTERPRISE ZONE TRANSACTIONS—JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000	
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Mercedes												
Mercury	1	4										
Mitsubishi		1										
Nissan	1	1										
Oldsmobile	5	3										
Plymouth	2	1										
Pontiac	2											
Subaru												
Toyota												
Volkswagon												
Other:												
Volvo	1											
WINN					1							
KENW	1											

OMENSBORO ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Alfa											
BMW											
Buick											
Cadillac											
Chevrolet	20	22	1								
Chrysler	1										
Dodge	1	3									
Ford	20	19	3	1	1	2		1			
Geo											
GMC		2									
Honda											
Inter'ntl	4	1						1			
Isuzu	1	2									
Jeep		1									
Lexus											
Lincoln		1	1								
Mazda	22	2	1								
MACK			2	1							

OWENSBORO ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes				1							
Mercury	1										
Mitsubishi	1	1									
Nissan	1										
Oldsmobile	3	2	1								
Plymouth	1										
Pontiac	1										
Subaru											
Toyota	1	1									
Volkswagon											
Other:											
Volvo		1									
Acura	1										

LEXINGTON ENTERPRISE ZONE

LEXINGTON ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000	
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Alfa			1									
BMW				1								
Buick	1											
Cadillac					1							
Chevrolet	7	11	1									
Chrysler	1	32										
Dodge	2	62										1
Ford	1	16		3								
Geo												
GMC	4	4										
Honda		3										
Inter'ntl	2	2	1	1					14	3		
Isuzu		3	1									
Jeep		4										
Lexus												
Lincoln												
Mazda	1											
MACK		2							5			

LEXINGTON ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Mercedes	1										
Mercury	2	1									
Mitubishi	14	16									
Nissan		1									
Oldsmobile		1									
Plymouth	1	2									
Pontiac	3	1									
Subaru	1										
Toyota		2									
Volkswagon		79									
Other:											
Porsche											
UD		2									
PETE									2		

LEXINGTON ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle									
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	Over \$100,000
Alfa										
BMW										
Buick	1									
Cadillac		2								
Chevrolet	29	20								
Chrysler	23	31								
Dodge	64	73								
Ford	21	13	2	2	1					
Geo										
GMC	3	3	2							
Honda										
Inter'ntl	1		1	1						
Isuzu	2	1								
Jeep	2									
Lexus										
Lincoln	4	1								
Mazda			1							
MAZK	4			1	2	1	4	8		

LEXINGTON ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes	1										
Mercury	3										
Mitsubishi	4	1									
Nissan	3	1									
Oldsmobile		1									
Plymouth	16										
Pontiac											
Subaru	6										
Toyota	2										
Volkswagon											
Other:											
Audi	1										
WINN	1										
Eagle Premier		3									
PETE									1		
RANG SKVZ	1										

Source: Kentucky Revenue Cabinet

KNOX COUNTY ENTERPRISE ZONE

KNOX COUNTY ENTERPRISE ZONE TRANSACTIONS—JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
GMC	1										

KNOX COUNTY ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Chevrolet			1								
GMC	1										
Lincoln			1								

CAMPBELL COUNTY ENTERPRISE ZONE

CAMPBELL COUNTY ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Alfa											
BMW											
Buick		1									
Cadillac			1								
Chevrolet	13	5									
Chrysler											
Dodge	3	1									
Ford	12	9	5	1							
Geo											
GMC	1	2	1								
Honda											
Inter'ntl											
Isuzu	2										
Jeep											
Lexus											
Lincoln		1									
Mazda	1										
MAZDA										1	
						3					

CAMPBELL COUNTY ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Mercedes						2					
Mercury		1									
Mitsubishi		1									
Nissan	1										
Oldsmobile											
Plymouth											
Pontiac											
Subaru											
Toyota											
Volkswagon	1										
Other:											
AMC Cherokee		1									
FWD Mixer	1										
OSHK Mixer			4								

Source: Kentucky Revenue Cabinet

CAMPBELL COUNTY ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Alfa											
BMW			1								
Buick											
Cadillac	1	2									
Chevrolet	37	18	1								
Chrysler	1	3									
Dodge	3	2									
Ford	17	23	2	1	1						
Geo											
GMC	17	7	4								
Honda		2									
Inter'ntl	1	1		1							
Isuzu	1	3	2								
Jeep		1	1								
Lexus											
Lincoln			1								
Mazda	1		1								
MAZDA	1	5		2	1	2				2	

CAMPBELL COUNTY ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000	
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Mercedes												
Mercury												
Mitsubishi												
Nissan												
Oldsmobile												
Plymouth	2	1										
Pontiac		1										
Subaru												
Toyota												
Volkswagon												
Other:												
Porsche							1					
FRHT	1									2		
Acura							1					
KENW											3	1
PETE		1										
Roya Prevost												1(\$319,739)
IVEC												2

CAMPBELL COUNTY ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Volvo	1										
OSHK	8										
FWD	5										

PADUCAH ENTERPRISE ZONE

PADUCAH ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000	
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Alfa												
BMW												
Buick												
Cadillac			1									
Chevrolet	7	10			1							
Chrysler												
Dodge		2										
Ford	5	7	1									
Geo												
GMC	5	5	1									
Honda												
Inter'ntl								1				
Isuzu												
Jeep												
Lexus												
Lincoln			3									
Mazda												
MACK												

PADUCAH ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over \$100,000
Mercedes			1								
Mercury											
Mitsubishi											
Nissan	1	1									
Oldsmobile	1	1	1								
Plymouth											
Pontiac		1									
Subaru											
Toyota		1									
Volkswagon											
Other: IVEC Diesel											

PADUCAH ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000	
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Alfa												
BMW	1											
Buick	1											
Cadillac			1									
Chevrolet	10	20										
Chrysler	1											
Dodge	1	2										
Ford	10	25	1		26	2		2				
Geo												
GMC	4	2										
Honda	1											
Inter'ntl	3	1	1	1				2	1	1		
Isuzu												
Jeep												
Lexus												
Lincoln			1	1								
Mazda	2	1										
MAK										2		

PADUCAH ENTERPRISE ZONE TRANSACTIONS—AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle											Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000		
Mercedes				1								
Mercury		3										
Mitsubishi												
Nissan		1										
Oldsmobile	2	2										
Plymouth	1	1										
Pontiac		5										
Subaru												
Toyota	3		2									
Volkswagon												
Other:												
Porsche	1	1										
OTTA					2							
IVEC		1	1									
FREI										1		

HOPKINSVILLE ENTERPRISE ZONE

HOPKINSVILLE ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Alfa											
BMW											
Buick											
Cadillac											
Chevrolet		1									
Chrysler	1										
Dodge		1									
Ford		6									
Geo											
GMC											
Honda											
Inter'ntl											
Isuzu											
Jeep											
Lexus											
Lincoln											
Mazda											
MAK		1									

HOPKINSVILLE ENTERPRISE ZONE TRANSACTIONS--JANUARY 1990 THROUGH SEPTEMBER 1990

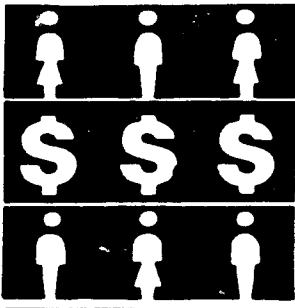
Make	Taxable Value of Vehicle										
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	Over to \$100,000
Mercedes											
Mercury											
Mitsubishi											
Nissan											
Oldsmobile											
Plymouth											
Pontiac											
Subaru											
Toyota											
Volkswagon											

Other:

HOPKINSVILLE ENTERPRISE ZONE TRANSACTIONS--AUGUST 1988 THROUGH DECEMBER 1989

Make	Taxable Value of Vehicle										Over \$100,000
	\$0 to \$10,000	\$10,000 to \$20,000	\$20,000 to \$30,000	\$30,000 to \$40,000	\$40,000 to \$50,000	\$50,000 to \$60,000	\$60,000 to \$70,000	\$70,000 to \$80,000	\$80,000 to \$90,000	\$90,000 to \$100,000	
Chevrolet		3									
Dodge		1									
Ford		19									
GMC		2									
Inter'ntl	1										

APPENDIX IV



State Development Dispatch

Council of State Community Affairs Agencies, Hall of the States, 444 North Capitol Street, Suite 251, Washington, DC 20001 (202) 393-6435

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ENTERPRISE ZONES: DO THEY REALLY MAKE A DIFFERENCE?

This article summarizes the findings from recent evaluations of enterprise zones in New Jersey, Indiana, Illinois, and Virginia. Although the methodology in each study is different, the findings are fairly consistent, shedding doubt on the ability of enterprise zones to stimulate economic growth and development. Specifically, the findings suggest that the two principle outcomes of enterprise zones, namely increased investment and increased economic opportunities for zone residents, are unlikely to occur. To strengthen the effect of enterprise zones, states are encouraged to intensify monitoring activities, to tie tax incentives with job creation, and to improve marketing efforts.

Introduction

Enterprise zones, once the innovative economic development tools of the early 1980s, have now become fairly commonplace among states; yet, their impact in generating new jobs and stimulating investment in a community remains speculative. This article summarizes the generally discouraging findings from four studies on the impact and cost-effectiveness of enterprise zones.

Since the early 1980s, enterprise zones have been in vogue. Through the passage of legislation, 37 states (and the District of Columbia) have created enterprise zones to stimulate economic development in some of their most distressed communities.

Enterprise zones are geographically-targeted areas in which businesses receive tax abatements and concessions, and regulatory relief as inducements to economic growth. The most common tax incentives are property tax reductions

and income tax credits for employers. Less common are sales tax exemptions, investment tax credits, employee training expense credits, hiring credits, and access to capital investment funds.

Intended as catalysts for reinvestment, enterprise zones have drawn increasing criticism for the dubious influence they have in economic growth whether it be drawing new businesses to the community, enabling existing businesses to expand, helping small businesses to establish themselves, or creating jobs for zone residents, who are often low-income. Specifically, critics question the apparent causal relationship between tax relief and economic growth.

The criticisms are many. First, some argue that a supply-side economic development approach, such as an enterprise zone, is ill-conceived since business relocations are uncommon and when they do occur, they often are a zero-sum game with no net job creation.

Second, it is very difficult to isolate the impact of enterprise zones on local business growth, investment decisions, and job creation from that of other variables, such as the health of the national economy, interest rates, pre-planned business investments, industry or sectoral trends, or the degree to which the location is predestined to growth owing to existing resources or public investment. In its 1985 impact study of enterprise zones, HUD observed that many enterprise zones were not located in the most distressed areas but in areas that already had resources and economic development plans that help fuel growth.

Third, tax incentives are of secondary importance to businesses in location decisions. Research suggests that

other location incentives are more important, such as market access, labor supply, suppliers, and transportation/communication networks.

Fourth, critics contend that the benefits generated by the zone bypass zone residents. HUD's study found that in five of seven zones, most of the jobs created and retained were for non-zone residents. A 1985 SBA study on enterprise zone impact found that job growth within zones occurred in services and job loss in manufacturing; generally few zone residents have the qualifications or skills for these job opportunities. This type of job growth suggests that zones are not immune to national trends in employment opportunities.

These criticisms are substantiated in recent impact analyses of enterprise zones in New Jersey, Indiana, Illinois, and Virginia. Although the four studies were conducted at different times, using different methodologies, and examining slightly different aspects of enterprise zones, their findings reveal a pattern of programmatic and conceptual weaknesses.

It was a common finding among three of the studies that enterprise zones do not act as magnets for investment, that their job generating potential is not significantly different from similar non-zone areas, that zone residents receive few benefits in terms of increased economic opportunity or improved housing and infrastructure, that tax incentives are secondary factors in business investment and location decisions, that data collection and monitoring of zones are poor, and that the marketing of zone benefits needs to be enhanced to encourage businesses — even those within the zones — to participate.

The findings are not all discouraging. In New Jersey, for example, the study is generally very positive, calculating the cost-benefit ratio of zones as nearly 1 to 2. The findings from the four studies are summarized below.

New Jersey

Since the passage of the New Jersey Urban Enterprise Zones Act in 1983, New Jersey has established 10 Urban Enterprise Zones (UEZs), intended to stimulate economic growth and development in areas suffering from relatively high unemployment. The UEZs are located in Bridgeton, Camden, Elizabeth, Jersey City, Plainfield, Kearny, Millville/Vineland, Newark, Orange, and Trenton.

The Department of Commerce, Energy and Economic Development manages the program, and an Enterprise Zone Authority (Authority) provides general oversight. The members of the Authority include: the Commissioner of Commerce, Energy, and Economic Development; the Commissioner of Labor; the Commissioner of Community Affairs; the State Treasurer; and, five public members appointed by the Governor.

Eligible businesses within an UEZ receive reductions in their corporate business, sales and use taxes and earn rebates in unemployment insurance. In five of the 10 UEZs, businesses receive a reduced sales tax, the receipts from which are deposited in an Enterprise Zone Assistance Fund. The UEZs use the fund to make public improvements or municipal service improvements within their zones.

Characteristics of UEZ businesses include: 75 percent employ fewer than 50 people; about 30 percent relocated to or started business in the zone after zone designation in 1985; and 63 percent are in services (retail, wholesale, FIRE, services).

The New Jersey Department of Commerce, Energy and Economic Development contracted with Urbanomics of Wayne, New Jersey, to conduct an impact analysis of its Urban Enterprise Zone Program.

To gather data to measure the impact and cost-benefit of the UEZ program, Urbanomics surveyed 976 of the UEZ firms of which 478 responded (49 percent response rate). The survey data were analyzed using input-output methods to identify the direct, indirect, and induced benefits of the zones. The researchers estimated program costs by simply adding the costs of the tax exemptions and credits that businesses received.

Between 1985 and 1988, nearly 9,200 jobs were created within the zones and \$243 million in payroll and \$1.8 billion in output were added to the state's economy. In 1987 and 1988, more than \$800 million in private investment occurred in the zones.

To isolate the effect of the zones on the state's economy, Urbanomics divided the businesses that are within the zone and that responded to the survey into three groups.

- The first group ("worst case scenario") includes those businesses that relocated to or expanded in the zones owing to the tax incentives (32 percent);
- The second group ("intermediate case scenario") includes businesses that said the tax incentives were the only, primary, or secondary reason for their relocation or expansion (70 percent); and,
- The third group ("best case scenario") includes all the businesses in the zones (100 percent).

The total cost-benefit analysis of UEZ's fiscal impact revealed that under the "best case scenario", the cost-benefit ratio is 1 to 5.2, under the "intermediate case scenario", the ratio is 1 to 3.7, and under the "worst case scenario", which is the most accurate of the UEZ's impact, the ratio is 1 to 1.9. In other words, in the worst case scenario for every dollar of state tax paid, nearly two state tax dollars were generated.

"Total cost-benefit" includes the zones' direct, as well as their indirect and induced effects, known as their multiplier effect.

In another attempt to isolate the effect of the UEZs on economic growth, the researchers compared zone areas to non-zone areas that had met the criteria for the UEZ program but were not selected. On average, the economies of the UEZ communities outperformed those of non-UEZ areas.

Overall, the researchers conclude that the Urban Enterprise Zone Program has done what it was designed to do — stimulate economic growth in distressed cities, strengthen the state's economy and improved its fiscal situation.

Despite the overall positive results of the analysis, several of the criticisms of enterprise zones expressed earlier are touched on in this study. For example, the analysis found that businesses identified other location factors, such as markets, labor availability, space costs, and access to transportation, as important factors to their location decisions. Also many businesses explained that they could not participate in the program because of the kinds of employees they had to hire to qualify for the tax break (zone residents who are unemployed or receiving public assistance). Often the zone residents did not have sufficient skills for the jobs.

This summary is drawn from "The New Jersey Urban Enterprise Zone Program: An Evaluation", a 1989 report prepared for the New Jersey Department of Commerce, Energy and Economic Development by Marilyn Rubin and Regina Armstrong of Urbanomics.

Indiana

Since 1983 Indiana has created ten enterprise zones (EZs) to stimulate economic growth and development within distressed inner-city areas. Tax concessions, which are provided to EZ businesses to offset negative location characteristics, such as an unskilled labor supply and high property taxes, are intended to stimulate the local economy through job creation and reinvestment. The EZs are located in Fort Wayne, Elkhart, Madison, Gary, Hammond, Michigan City, Anderson, South Bend, Evansville, and Richmond.

James Papke, Professor of Economics and Public Finance and Director of the Center for Tax Policy Studies at Purdue University, conducted an impact analysis of New Jersey's EZ program last year for the state's Enterprise Zone Board and the Department of Commerce. His appraisal, based on 1988 data, is bleak. In short, he found that EZs are ineffective catalysts for economic growth in targeted areas of distress.

Surprisingly, Papke found that the number of businesses within the EZs in 1988 had actually decreased by 11 percent. Employment had dropped only slightly, while the employment rate for zone residents, targeted as beneficiaries, remained unchanged since 1987.

Low wages for zone resident employees have persisted with employees receiving \$11,746 on average compared to \$20,434 for all zone employees. The proportion of zone residents filling new EZ jobs for which they were targeted decreased from 17 percent in 1987 to 15 percent in 1988. At the same time, businesses continued to reap the benefits of the EZs with their average tax savings increasing by 10.5 percent in 1988.

Indiana offers EZ businesses a number of tax concessions some of which, however, appear to be of little value to businesses. The employment expense credit, for example, is designed to encourage businesses to hire zone residents, which is one of the desired outcomes from the program. Businesses, however, have made minimal use of this credit for two reasons. First, many of the businesses are unable to hire zone residents because they lack sufficient skills. Second, the credit ceiling is \$1,500 per employee — a 1983 level which has lost 20 percent of its value owing to inflation making it a poor inducement to hire locally.

The most popular tax break, representing 87 percent of all tax savings, is the inventory tax credit. Despite its popularity, no significant difference has occurred in the rate of inventory accumulation. Further, no significant differences were detected between EZ communities and non-EZ communities.

Papke uncovered interesting statistics concerning program costs and benefits. He found that the cost of a new EZ job was \$31,112 in 1988, up from \$24,292 in 1987. He also found that local governments have paid 84 percent or \$11.2 million of total program costs, mostly through foregone taxes. To recover this lost revenue, local governments have shifted the tax burden to local property owners. As a result, local property owners who are exempt from EZ benefits, paid \$173,539 for each new job created or \$11.37 for every \$1.00 earned by the newly-employed zone resident.

The benefits from the tax breaks among businesses have been disproportionate themselves. The largest firms within the EZs, which comprise only 8 percent of all EZ proprietors, received 54 percent of the tax benefits. This translates into an average tax savings for the smallest firms of \$3,801, in contrast to the average savings for the largest firms of \$98,493.

Papke concludes that "Any general claims of a positive linkage between the EZ tax incentives and employment and investment should be subject to serious skepticism and

doubt...The current market-based EZ system of tax preferences is expensive, regressive, and ineffective. It is poorly designed and wastes taxpayer dollars...No amount of subsidy fine-tuning will be able to produce significantly improved standards of living and economic performance within the zone without major changes in the ways schools and businesses train workers. A long-term educational strategy is required to raise the level of labor skills to match the demands of EZ firms."

This summary is drawn from "The Role of Market Based Public Policy in Economic Development and Urban Revitalization: A Retrospective Analysis and Appraisal of the Indiana Enterprise Zone Program", a 1990 report prepared for the Enterprise Zone Board and Indiana Department of Commerce by James Papke of Purdue University.

Illinois

As in other states, the purpose of the Illinois enterprise zone program is to stimulate economic growth in depressed areas and revitalize depressed neighborhoods through the provision of tax concessions to local businesses. In 1982 the state legislature passed a bill authorizing the Department of Commerce and Community Affairs to designate no more than eight enterprise zones a year for six years, or 48 in total. Subsequent amendments have permitted the creation of nearly twice that number — 91 zones authorized in 1990.

During the authorizing process, the legislation was changed to appease the concerns of organized labor, big business, and the administration. Consequently, the original program requirements and regulations were eased for the initiative to survive. For example, large employers became eligible for tax concessions, tax concessions were scaled back, and no incentives were tied to hiring low-income zone residents or creating jobs.

The tax breaks include: an investment tax credit against the state income tax for investments within the zone; a sales tax credit on construction materials used within the zone; a state sales credit; a job tax credit (\$500) for each new hire (minimum of five) who is JTPA-eligible; a state utility tax exemption for businesses making a \$5 million investment that creates at least 200 full-time jobs or a \$20 million investment resulting in 1,000 full-time jobs; and a sales tax exemption on manufacturing equipment and materials or on a pollution control facility.

An analysis by Sangamon State University for the Enterprise Zone Advisory Committee, criticizes the program on many points, generally in the area of implementation and impact. After outlining the yearly amendments to the program which lengthened its life and augmented the number of zones created, the researchers conclude that the program is demand-driven rather than need-driven. Indeed,

there is evidence that zones were created solely to attract or retain a specific industry.

Many business owners and operators within the zone are unaware of the zone designation and the tax exemptions and credits, according to the study. Those who do take advantage of the tax breaks use the investment tax credit and job tax credit the least. As in other studies conducted, the influence of tax incentives on location and investment decisions proved to be relatively low.

Zones have been designated in areas with wide-ranging employment trends, social settings, size, population, and level of distress. The researchers suggest that this has undermined the intent of the program which is to stimulate growth and revitalization in depressed communities.

According to the researchers, data on the total costs and benefits of the program are non-existent; consequently, they conducted business surveys and case studies to measure impact. Based on the data collected, they conclude that the EZs "had no effect" on the overall employment trends, including the loss of manufacturing jobs, in the EZs. There appears to be no link between zone tax incentives and business investment or job creation. Existing businesses, those located in the zone prior to designation, in fact, create most of the new jobs. Although the researchers admit that the data analysis has its weaknesses, they state that the ratio of benefit (dollars invested) to cost (tax concessions) "in the zones is probably close to zero".

Based on these findings, the researchers recommend a halt to the creation of additional zones, a requirement that tax incentives be linked to job creation, an aggressive marketing effort at the state and local level, more rigorous monitoring, and a concentrated focus on the few most distressed existing zones.

This summary is drawn from "Enterprise Zones in Illinois: A Legislative Issue for the 87th General Assembly", a 1990 report prepared for the Enterprise Zone Project Advisory Committee and the Illinois Tax Foundation by Kent Redfield of Sangamon State University and John McDonald of NCI Research.

Virginia

In 1982, Virginia's legislature passed the Urban Enterprise Zone Act which authorized the creation of up to 19 enterprise zones. EZs are viewed as multi-purpose, designed to:

- 1) improve economic opportunities and living conditions in rural or distressed areas
- 2) strengthen the capacity of local governments in the areas of housing, job creation, community facilities and services

The state views zones as neighborhood revitalization vehicles, driven by private investment with no direct government intervention. Zone incentives include regulatory flexibility and tax concessions, such as general tax credits, unemployment tax credits, and sales tax refunds. To date, the Department of Housing and Community Development, which administers the program, has designated 18 zones in areas with either high unemployment or low incomes or both.

Although less rigorous than the previous three, the analysis of Virginia's enterprise zone program reveals similar findings regarding the impact of zones. First, the study found that although there is evidence of growth and expansion within the zones, there is little sign of neighborhood revitalization. In fact, only one out of three zones experienced some kind of revitalization, such as public housing investments, new construction, or building improvements. The findings proved inconclusive, preventing the researchers from answering the question: "...has revitalization been a consequence of the activities fostered by the zone program inducements or would they have occurred anyway as viable development projects undertaken on their own merits?"

Second, despite an increase in the number of jobs created within zones, no direct correlation was found between zone designation and job creation, according to the report. When comparing the job creation and the cost-effectiveness of job creation in zones with non-zone communities that are similar in economic structure and demographics, the researchers found no significant differences. Zones, in fact, are not the leading job generators within their regions. On average they contribute about 32 percent to their region's overall employment growth. In four zones, the average contribution is less than 10 percent.

Third, zones do not attract high levels of investment relative to the investment levels of the larger community in which they locate. In addition, the difference in the level of investment in zones versus non-zones is negligible. In only 40 percent of the zones is the level of investment greater than in similar non-zone areas; in fact, the researchers conclude that zones are not "magnets for investment".

Fourth, businesses in rural zones are much less likely to take advantage of the tax concessions available than are urban businesses. Rural zones also experience less investment in the form of new construction and other improvements than do urban zones. Of all the investments made in rural zones only 4.4 percent are residential-related compared to nearly 37 percent in urban zones.

Given these findings, the researchers recommend that the state:

- improve its oversight of the program by developing adequate measures to monitor and evaluate the cost-effectiveness of the program;
- develop a task force to determine how other state programs and financial resources can be used in tandem with EZ development;
- increase participation in zones by strengthening the current marketing strategy; and,
- determine the need for "regulatory flexibility" as a zone incentive.

This summary is drawn from "The Virginia Enterprise Zone Program: An Assessment of Performance", a 1990 report prepared for the Virginia Department of Housing and Community Development by the Office of Policy Analysis and Research.

To receive copies of these reports, contact Nina Simone at COSCDA, 202-393-6435. Members can receive copies at no charge; nonmembers will be charged for copying, shipping, and handling: New Jersey (\$5.00); Indiana (\$7.50); Illinois (\$5.50); and, Virginia (\$4.00).

For additional reading:

"Enterprise Zones: An Evaluation of State Government Policies", Rodney Erickson and Richard McCluskey, U.S. Department of Commerce, Economic Development Administration, September 1989.

"State Enterprise Zones: A CED Analysis", Mtangulizi Sanyika and Paul Hess, Economic Development and Law Center Report, Fall/Winter 1987, Volume 17, Issue 3 & 4, pgs.15-22

COSCDA invites and encourages members to submit information on state programs, policies, and legislation related to economic development, rural development, and infrastructure for consideration in our consolidated newsletter which begins early next year. Please send the material to:

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