

Local Economic Development Tax Credits

Tax credits are an additional local economic development incentive to promote job creation and capital investment. Local tax credits are authorized by both state legislation and Ohio home rule authority.

The Revised Code permits a municipality to grant a refundable or nonrefundable credit against its tax on income to a company in exchange for the creation of jobs within the city.⁶³¹ The local tax credit must be measured as a percentage of the new income tax revenue that the municipal corporation derives from new job creation for a term of 15 years or less. The legislative authority of the municipality must adopt an ordinance and enter into a tax credit agreement with the company. The agreement must outline all the conditions of the incentive. Often, municipalities create standards for when they will award municipal job-creation tax credits.

For example, Kent, Ohio requires the company in question to pay well above the federal minimum wage; be a company that is non-retail in nature; be a company headquarters, a manufacturing, science and technology, research and development company, or a distribution facility; create at least 25 new jobs over three years; commit to retaining the current number of employees; make a substantial fixed-asset investment in land, building, machinery/equipment, or infrastructure; be economically sound and viable; show that the project has not already begun; demonstrate that the tax credit is a "major factor" in its decision to expand or locate in the municipality; and agree to maintain operations at the project site for at least twice the term of the tax credit or up to 20 years.⁶³²

Ohio law also permits municipalities to offer a similar tax credit for the retention of jobs within their jurisdiction.⁶³³ Finally, Ohio law permits a municipality to award a tax credit against its municipal income tax to a resident who works in a Joint Economic Development Zone to the same extent it grants a credit against its income tax to its residents employed in another municipality.⁶³⁴

⁶³¹ R.C. 718.15.

⁶³² See City of Kent, Job Creation Tax Credit Administrative Guidelines, <http://www.kentohio.org/citydep/comdev/econ/JCTC-ADMIN.pdf>.

⁶³³ R.C. 718.151.

⁶³⁴ R.C. 718.16.

The city of Toledo provides an example of a municipality using an array of tax credits to rebate a portion of its municipal income tax in exchange for job creation and capital investment. The Toledo Municipal Job Creation Tax Credit provides a negotiated tax credit on the city's income tax that a company or its employees would pay to the City. Toledo's Municipal Job Creation Tax Credit set the following guidelines to determine which companies are eligible for an award:

- The company's projects must be approved by Ohio's Job Creation Tax Credit Program;
- The company must create a minimum of 25 new, full-time jobs within three years, paying 150% of the state minimum wage or \$10.57 an hour per job; and
- The company must be relocating within the city/state in a Toledo or Federal Enterprise Zone and seeking a project site for expansion purposes for a term twice the length of the incentive period.⁶³⁵

The maximum Toledo Municipal Job Creation Tax Credit is 40% of the Toledo payroll taxes of eligible full-time employees per year for up to 10 years.⁶³⁶ Also, a maximum tax credit of 80% of the municipal payroll taxes of eligible full-time employees per year, for up to 10 years, for businesses within the Enterprise Communities jurisdiction is authorized.⁶³⁷ Several examples of the Toledo Municipal Job Creation Tax Credit have contributed to economic expansion projects in Toledo. In 2011, Chrysler announced a \$365 million, 1,105-job expansion project for the Toledo North American Assembly Plant—more commonly known as the Jeep Plant.⁶³⁸ This Jeep expansion was supported by Ohio Job Creation Tax Credits plus workforce training incentives.⁶³⁹ The expansion was also supported by the Toledo Municipal Job Creation Tax Credit through a tax credit against the municipal income tax for the new 1,105 jobs created for the project.⁶⁴⁰

⁶³⁵ City of Toledo, Municipal Job Creation Income Tax Credit MJCTC Guidelines, <http://toledo.oh.gov/media/1081/municipal-jobs-creation-tax-credit-mjctc-guidelines.pdf>.

⁶³⁶ *Id.*

⁶³⁷ *Id.*

⁶³⁸ Vellequette, *Jeep Expansion to Add 1,100 Jobs*, Toledo Blade (Aug. 11, 2011), available at <http://www.toledoblade.com/Automotive/2011/08/11/Jeep-expansion-to-add-1-100-jobs.html>.

⁶³⁹ *Id.*

⁶⁴⁰ *Id.*

Toledo also offers a Toledo Expansion Initiative (“TEI”) program to spur job growth. TEI grants are based upon the actual growth in payroll income-tax revenue retained by Toledo over Expected Revenue Benchmarks—in essence, a three-year average of past taxes generated by the company for the City.⁶⁴¹ In Industrial, Technology, and Downtown TEI Zones, grant awards are 30% of the growth of yearly municipal income taxes actually paid to and retained by the City based upon Expected Revenue Benchmarks.⁶⁴² But nonmanufacturing companies located in “Industrial Zones” are eligible only for a 10% grant.⁶⁴³ Commercial TEI Zones grant awards are limited to 20% of the growth of yearly municipal income taxes actually paid to and retained by the City based upon Expected Revenue Benchmarks.⁶⁴⁴ In all other areas of Toledo, the grant awards are limited to 10% of the growth of yearly municipal income taxes actually paid to and retained by the City based upon Expected Revenue Benchmarks.⁶⁴⁵ An additional 10% grant award goes to companies that spend at least 15% of its expenditures on product research and development.⁶⁴⁶ The TEI can provide manufacturing companies or companies spending at least 15% of its yearly expenditures on product research and development activities with larger grants.⁶⁴⁷ As the Toledo TEI incentive is a government grant, it works well with other local incentive programs such as tax abatements.⁶⁴⁸

⁶⁴¹ City of Toledo, Toledo Expansion Incentive (TEI) Program Guidelines, <http://toledo.oh.gov/media/1076/toledo-expansion-incentive-tei-guidelines.pdf>.

⁶⁴² *Id.*

⁶⁴³ *Id.*

⁶⁴⁴ *Id.*

⁶⁴⁵ *Id.*

⁶⁴⁶ *Id.*

⁶⁴⁷ *Id.*

⁶⁴⁸ *Id.*