

**The Ohio Job Creation Tax Credit Program:
Preliminary Analysis of Direct Impacts 1993-1997**

Prepared for
The Ohio Economic Development Study Advisory Committee

Prepared by
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INTRODUCTION

This report summarizes the direct impacts of the Job Creation Tax Credit Program (JCTC) on the State of Ohio. This is a preliminary report which will be followed by more detailed analysis that will include results by major industries and a REMI analysis of the total impacts of the program. This analysis will be completed for OEDS Advisory Committee review at the September meeting.

In order to protect the confidentiality of customers, information provided by the Ohio Department of Development (ODOD) limits actual performance data. Therefore, this report provides estimates of payroll, taxes withheld and tax credits received based on average tax rates and wage rates for JCTC firms.

PROGRAM DESCRIPTION

The Job Creation Tax Credit Program was created, as part of Jobs Bill I, as a tool to encourage existing business expansions and new business locations to Ohio. It has been in existence for 5 years, since January 1993. The five member Ohio Tax Credit Authority was created to oversee the program. The Authority considers requests for tax credits and monitors compliance of recipients of tax benefits.

JCTC creates a refundable tax credit against the Ohio corporate franchise or income tax for businesses that create jobs in Ohio. The credit is measured as a percentage of the new state income tax revenue withheld by a business for new full time employees. The annual amount of the credit is based on a percentage of the total amount of new Ohio income taxes withheld by the company and paid to the state during the taxable year for new full time employees. The credit is claimed for a fixed number of years, not to exceed ten years, and is obtained through an application to the Authority. The limit on the tax credit is 75 percent. The Authority and the business enter into a legally binding agreement. Eligibility requirements for JCTC include a wage threshold of 150 percent of federal minimum wage, a minimum commitment of 25 new full time jobs, support from the respective community, and annual reporting conditions. In addition, the program

excludes point of final sale retail facilities. JCTC has also been amended to generally prohibit tax credit recipients from relocating employment from elsewhere in Ohio and specifically excludes interstate transfers of employees or employment positions from being counted as new employees for the credit.

In order to receive the credit, businesses must commit to invest in new fixed assets in Ohio such as land, building, machinery and equipment, and infrastructure. In addition, businesses may receive higher credits for committing to employ a relatively high percentage of disadvantaged or minority employees.

DIRECT PROGRAM IMPACTS

Table 1 describes the direct impacts of the JCTC program for 1993-1997. The program has resulted in 543 projects with an investment commitment of seven billion dollars and a new job creation commitment of 60,837, according to data reported by firms to the Ohio Department of Development. The average hourly wage rate for all projects is \$12.07 and projects average 8.5 years in length. New payroll and tax credits were estimated using the committed number of new jobs, the average wage commitments, the average percentage of 60.5% and an average State of Ohio income tax withholding rate of 2.7%¹.

Table 1: Job Creation Tax Credit Program Summary

Program Totals	
Number of Projects	543
Investment	\$7,018,228,011
Jobs Created	60,837
Jobs Retained	88,521
Average Wage Rate	\$12.07
Average Percentage	60.5%
Average Term (years)	8.5
Estimated New Payroll	\$1,527,181,598
Estimated Annual Credit	\$24,933,982
Estimated Total Credit	\$211,915,886

¹ This tax withholding rate is the average rate reported by JCTC recipients since 1993

Source: The Urban Center at Cleveland State University and the Ohio Department of Development

Table 2 describes the direct impact of the JCTC program by economic region. The North East Region had the largest number of projects (134), followed by South West Cincinnati (83). The North East Region also had the largest number of new job commitments (13,188). However, the region with the second largest number of new jobs was Mid Central (12,085) which ranked fourth in number of projects (67). Average wage rates varied by region from \$10.55 to \$13.36.

Table 2: The Job Creation Tax Credit Program by Ohio's Economic Regions

Region	# of Projects	Investment	Jobs Created	Jobs Retained	Avg Wage Rate	Avg Percent	Avg Term
North West	74	\$1,192,891,538	5,366	7,452	\$12.07	58.6%	9.0
North Central	58	\$743,935,440	5,163	7,138	\$10.55	59.9%	8.7
North East	134	\$1,394,202,781	13,188	19,957	\$12.00	60.6%	8.4
West Central	44	\$580,140,630	4,113	6,043	\$10.65	60.2%	8.3
Mid Central	67	\$1,087,911,625	12,085	15,579	\$12.61	62.9%	8.4
South East	18	\$168,613,800	1,815	1,190	\$11.76	63.1%	8.7
South West Dayton	51	\$716,744,812	6,660	11,123	\$12.59	59.3%	8.2
South West Cincinnati	83	\$804,315,785	9,432	15,279	\$13.36	59.6%	8.3
South Central	14	\$329,471,600	3,015	4,760	\$11.74	66.4%	9.2
Total	543	\$7,018,228,011	60,837	88,521			

Source: The Urban Center at Cleveland State University and the Ohio Department of Development

Table 3 describes program results for each county. Again, note that payroll and tax credit amounts were estimated. Urban counties had the highest number of projects and job creation commitments. While Cuyahoga County had the most projects at 51, Franklin County, with 39 projects, had about 4,000 more new jobs and \$25 million more investment. Average wage rates varied greatly from \$8.00 in Geauga County to \$29.41 in Champaign County.

Table 3 : Job Creation Tax Credit Program by County

County	# of Projects	% of Projects	Investment	Jobs Created	Jobs Retained	Avg Wage Rate	Avg Percent	Avg Term	Estimated New Payroll	Estimated Annual Credit	Estimated Total Cred
Allen	11	2.0%	\$39,339,050	766	491	\$9.96	56.8%	7.4	\$15,867,620	\$243,424	\$1,792.48
Ashland	2	0.4%	\$21,750,000	473	577	\$10.00	62.5%	10.0	\$9,838,400	\$166,023	\$1,660.23
Ashtabula	4	0.7%	\$19,568,000	244	839	\$9.23	65.0%	7.8	\$4,681,872	\$82,167	\$636.79
Athens	1	0.2%	\$4,856,900	65	0	\$8.00	60.0%	10.0	\$1,081,600	\$17,522	\$175.21
Auglaize	2	0.4%	\$36,646,000	464	2,081	\$12.78	77.5%	10.0	\$12,334,234	\$258,094	\$2,580.93
Belmont	2	0.4%	\$70,763,000	355	0	\$14.37	75.0%	10.0	\$10,610,808	\$214,869	\$2,148.68
Brown	2	0.4%	\$6,356,000	210	285	\$9.00	57.5%	10.0	\$3,931,200	\$61,032	\$610.31
Butler	19	3.5%	\$167,049,100	1,520	1,087	\$10.99	57.1%	7.7	\$34,732,672	\$535,523	\$4,115.07
Champaign	1	0.2%	\$49,000,000	120	0	\$29.41	75.0%	10.0	\$7,340,736	\$148,650	\$1,486.49
Clark	7	1.3%	\$177,781,054	990	404	\$13.17	62.1%	9.6	\$27,119,664	\$455,029	\$4,355.28
Clermont	13	2.4%	\$139,632,050	1,757	2,341	\$15.10	63.5%	9.3	\$55,166,989	\$945,265	\$8,798.23
Clinton	3	0.6%	\$7,875,000	184	2,430	\$13.84	55.0%	6.3	\$5,295,569	\$78,639	\$498.04
Columbiana	3	0.6%	\$9,683,500	285	675	\$11.61	60.0%	9.3	\$6,882,408	\$111,495	\$1,040.62
Coshocton	1	0.2%	\$6,200,000	120	206	\$9.45	65.0%	10.0	\$2,358,720	\$41,396	\$413.95
Crawford	4	0.7%	\$48,404,000	410	142	\$11.01	62.5%	10.0	\$9,389,328	\$158,445	\$1,584.44
Cuyahoga	51	9.4%	\$705,154,175	5,720	10,056	\$13.33	61.0%	8.3	\$158,576,345	\$2,610,913	\$21,604.02
Darke	1	0.2%	\$15,221,000	200	350	\$8.46	75.0%	10.0	\$3,519,360	\$71,267	\$712.67
Defiance	5	0.9%	\$54,379,295	436	727	\$11.99	59.0%	9.4	\$10,873,491	\$173,215	\$1,628.21
Delaware	14	2.6%	\$121,048,643	938	2,259	\$13.78	60.0%	8.4	\$26,881,150	\$435,475	\$3,670.42
Erie	6	1.1%	\$96,236,000	616	689	\$11.94	62.5%	7.8	\$15,294,212	\$258,090	\$2,021.70
Fairfield	3	0.6%	\$54,300,000	340	371	\$10.71	66.7%	8.0	\$7,576,469	\$136,376	\$1,091.01
Fayette	2	0.4%	\$27,600,000	370	310	\$7.75	62.5%	10.0	\$5,964,400	\$100,649	\$1,006.49
Franklin	39	7.2%	\$731,481,508	9,942	11,549	\$12.43	64.7%	8.3	\$257,113,376	\$4,494,540	\$37,454.49
Fulton	10	1.8%	\$609,928,740	906	662	\$12.56	62.0%	9.5	\$23,665,300	\$396,157	\$3,763.49
Gallia	1	0.2%	\$25,200,000	140	254	\$13.70	70.0%	10.0	\$3,989,440	\$75,400	\$754.00
Geauga	2	0.4%	\$17,007,700	90	553	\$8.00	55.0%	7.0	\$1,497,600	\$22,239	\$155.67
Greene	4	0.7%	\$30,871,000	461	382	\$12.55	58.8%	8.8	\$12,033,944	\$190,888	\$1,670.27
Hamilton	31	5.7%	\$349,207,120	3,462	8,189	\$15.21	60.3%	8.5	\$109,503,373	\$1,783,492	\$15,130.91
Hancock	4	0.7%	\$74,365,000	648	107	\$8.85	61.3%	9.0	\$11,921,645	\$197,154	\$1,774.38
Hardin	4	0.7%	\$17,809,800	354	69	\$8.86	56.3%	8.0	\$6,525,636	\$99,108	\$792.86
Harrison	2	0.4%	\$26,005,000	270	0	\$10.48	67.5%	8.5	\$5,885,568	\$107,264	\$911.74
Henry	3	0.6%	\$18,120,500	159	193	\$11.01	58.3%	9.0	\$3,642,330	\$57,367	\$516.30
Highland	1	0.2%	\$46,915,000	224	265	\$9.35	75.0%	10.0	\$4,356,352	\$88,216	\$882.16
Huron	8	1.5%	\$35,695,910	624	1,266	\$11.02	59.4%	8.9	\$14,307,946	\$229,374	\$2,035.69
Jefferson	1	0.2%	\$602,000	200	0	\$7.73	50.0%	5.0	\$3,215,680	\$43,412	\$217.05
Knox	3	0.6%	\$72,893,000	223	118	\$9.13	55.0%	9.0	\$4,234,859	\$62,888	\$565.98

Table 3 : Job Creation Tax Credit Program by County (continued)

County	# of Projects	% of Projects	Investment	Jobs Created	Jobs Retained	Avg Wage Rate	Avg Percent	Avg Term	Estimated New Payroll	Estimated Annual Credit	Estimated Total Cred
Lake	15	2.8%	\$111,092,700	1,065	1,576	\$11.53	58.7%	8.3	\$25,547,163	\$404,667	\$3,372.22
Licking	5	0.9%	\$112,422,474	299	69	\$11.58	58.0%	8.4	\$7,199,346	\$112,742	\$947.03
Logan	3	0.6%	\$12,661,100	128	233	\$9.62	56.7%	6.0	\$2,560,341	\$39,173	\$235.03
Lorain	11	2.0%	\$97,541,800	969	720	\$12.48	59.1%	8.5	\$25,144,528	\$401,170	\$3,391.70
Lucas	35	6.4%	\$194,273,723	1,937	4,079	\$11.69	56.4%	8.7	\$47,080,124	\$717,299	\$6,250.75
Madison	3	0.6%	\$21,059,000	171	841	\$10.96	58.3%	7.7	\$3,898,253	\$61,397	\$470.71
Mahoning	5	0.9%	\$21,270,000	339	355	\$9.14	62.0%	8.0	\$6,441,976	\$107,839	\$862.70
Marion	6	1.1%	\$60,536,875	415	301	\$10.97	59.2%	8.7	\$9,466,427	\$151,226	\$1,310.62
Medina	6	1.1%	\$58,742,000	315	453	\$11.28	56.7%	8.2	\$7,389,564	\$113,060	\$923.32
Mercer	4	0.7%	\$46,167,280	475	810	\$11.20	63.8%	9.3	\$11,060,660	\$190,382	\$1,761.03
Miami	11	2.0%	\$222,439,672	995	2,585	\$10.10	54.5%	8.0	\$20,904,841	\$307,871	\$2,462.97
Montgomery	29	5.3%	\$285,653,086	4,214	7,752	\$13.40	60.5%	7.8	\$117,491,900	\$1,919,777	\$14,961.02
Morrow	4	0.7%	\$78,355,000	469	804	\$10.33	61.3%	8.8	\$10,074,683	\$166,610	\$1,457.83
Muskingum	6	1.1%	\$33,243,800	625	311	\$13.23	60.0%	8.8	\$17,192,500	\$278,519	\$2,460.24
Noble	1	0.2%	\$1,600,000	45	64	\$11.50	65.0%	8.0	\$1,076,400	\$18,891	\$151.12
Ottawa	4	0.7%	\$101,256,800	208	500	\$9.21	60.0%	8.8	\$3,983,533	\$64,533	\$564.66
Perry	1	0.2%	\$4,200,000	100	346	\$8.65	65.0%	10.0	\$1,799,200	\$31,576	\$315.76
Pike	3	0.6%	\$83,172,700	1,800	543	\$8.72	76.7%	10.0	\$32,647,680	\$675,807	\$6,758.07
Portage	6	1.1%	\$70,612,500	1,123	312	\$11.45	65.8%	10.0	\$26,749,261	\$475,468	\$4,754.68
Preble	4	0.7%	\$35,950,400	249	900	\$11.57	60.0%	9.3	\$5,992,334	\$97,076	\$897.95
Putnam	4	0.7%	\$212,327,000	423	148	\$11.48	65.0%	10.0	\$10,102,763	\$177,303	\$1,773.03
Richland	4	0.7%	\$91,828,000	296	1,163	\$10.88	58.8%	9.5	\$6,695,520	\$106,208	\$1,008.97
Ross	2	0.4%	\$12,425,000	425	978	\$10.83	67.5%	10.0	\$9,569,300	\$174,400	\$1,744.00
Sandusky	8	1.5%	\$61,145,855	528	512	\$9.37	56.3%	8.9	\$10,287,763	\$156,245	\$1,386.67
Scioto	2	0.4%	\$148,418,000	127	252	\$17.00	72.5%	10.0	\$4,490,720	\$87,906	\$879.05
Seneca	5	0.9%	\$22,068,000	547	616	\$10.03	60.0%	7.4	\$11,414,008	\$184,907	\$1,368.31
Shelby	3	0.6%	\$4,239,000	143	5	\$8.43	51.7%	6.7	\$2,508,411	\$34,992	\$233.28
Stark	12	2.2%	\$155,522,406	1,366	2,577	\$9.52	60.4%	8.3	\$27,044,250	\$441,159	\$3,639.56
Summit	11	2.0%	\$76,798,000	867	493	\$13.32	61.4%	7.8	\$24,022,395	\$398,007	\$3,111.69
Trumbull	5	0.9%	\$28,030,000	574	618	\$9.39	61.0%	10.0	\$11,215,684	\$184,722	\$1,847.22
Tuscarawas	2	0.4%	\$4,000,000	50	35	\$9.25	57.5%	6.5	\$962,000	\$14,935	\$97.07
Union	1	0.2%	\$20,000,000	25	180	\$28.85	60.0%	10.0	\$1,500,200	\$24,303	\$243.03
Van Wert	3	0.6%	\$36,415,000	143	849	\$11.16	56.7%	8.3	\$3,318,439	\$50,772	\$423.10
Warren	18	3.3%	\$142,071,515	2,483	3,377	\$11.90	58.3%	7.7	\$61,436,262	\$967,621	\$7,472.18
Washington	2	0.4%	\$22,000,000	50	228	\$13.39	65.0%	10.0	\$1,392,040	\$24,430	\$244.30
Wayne	3	0.6%	\$23,180,000	231	730	\$13.58	60.0%	9.3	\$6,526,520	\$105,730	\$986.81
Williams	5	0.9%	\$59,904,529	245	419	\$12.32	60.0%	9.2	\$6,280,310	\$101,741	\$936.01
Wood	15	2.8%	\$252,734,751	1,588	1,098	\$12.80	61.3%	9.3	\$42,292,124	\$700,358	\$6,489.98
Wood/Lucas	1	0.2%	\$3,550,000	95	274	\$12.00	55.0%	8.0	\$2,371,200	\$35,212	\$281.69
Wyandot	5	0.9%	\$54,375,000	404	488	\$11.57	62.0%	8.4	\$9,719,141	\$162,698	\$1,366.66
Total	543	100.0%	\$7,018,228,011	60,837	88,521	\$12.07	60.5%	8.5	\$1,527,181,598	\$24,933,982	\$211,915.88

Source: The Urban Center at Cleveland State University and the Ohio Department of Development

Finally, Table 4 describes the JCTC program's direct impact by year. The number of projects has increased for every year of the program with the exception of 1996. The investment new job commitments have increased accordingly.

Table 4: Job Creation Tax Credit Program by Year

Year	# of	Investment	Jobs	Jobs
Approved	Projects		Created	Retained
1993	63	\$679,030,926	8,515	9,736
1994	93	\$1,087,448,295	9,727	14,681
1995	130	\$2,146,008,333	14,533	23,014
1996	113	\$1,071,023,718	11,989	14,710
1997	146	\$2,034,716,739	16,073	26,380

Source: The Urban Center at Cleveland State University and the Ohio Department of Development

NEXT STEPS

In summary, businesses participated in the JCTC program have committed to the creation of more than 60,000 new jobs at average wage rates well above the minimum requirement of \$7.73 (150 percent of federal minimum wage). In addition, these businesses have commitment to investments of more than seven billion dollars. The REMI analysis that will be available in a later report, will assess the total impacts of this new job creation and investment in order to more fully evaluate this program.