A Brief from

Policy Matters Ohio

Wal-Mart Special: Ohio Job Tax Credits to America's Richest Retailer

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July, 2002

Executive Summary[1]

Wal-Mart, America's largest company and Ohio's sixth largest employer, with revenues last fiscal year of $217.8 billion and profits of more than $6.6 billion, during the last year was promised $10 million by the state of Ohio to establish distribution and manufacturing facilities in the Buckeye State.

Most of this largesse – an estimated $7.6 million over 10 years – will come in the form of credits approved by the Ohio Tax Credit Authority. Job creation tax credits are applied against corporate franchise or income tax based on the amount of state income tax withheld from the new, eligible full-time employees. To be eligible for these credits, projects generally must create 25 new full-time jobs within three years of initial operations, pay an average of at least 1.5 times the U.S. minimum wage, and include a substantial fixed-asset investment. Projects must also receive financial support from the local community. The company must demonstrate that the tax credit is a "major factor" in its decision to expand or locate at the Ohio site.

Wal-Mart is to receive aid for three Ohio projects, two food distribution centers and an eyeglass manufacturing and distribution facility. These are higher-paying positions in comparison to most jobs in Wal-Mart retail stores and near the median wage in the state, but below the average for warehouse workers in Ohio. Each facility eventually will employ 600 workers at an average of $12 an hour plus $4 worth of benefits. Other findings of the study include:

- Ohio was a likely location for a food warehouse to serve Wal-Mart's growing grocery operations in the state. While that can be a matter of speculation, in one project – a food distribution warehouse opening this month in Washington Court House – job creation tax credits were approved by the state months after Wal-Mart had begun construction**.** This raises the issue of whether such help was needed to secure these positions.

- Kroger Co., another major Ohio food retailer, also is awaiting final Development Department sign-off for state job creation tax credits for a new distribution center in Delaware that replaces three other facilities in the state. In this case, the department did not properly notify all of the affected communities before the Ohio Tax Credit Authority approved the incentive. Columbus, the city that was not properly notified, missed the deadline to comment but has expressed concerns about the tax credit.

These examples illustrate that the process of awarding job creation tax credits needs to be tightened. As welcome as new jobs are, state policy should ensure that companies are not provided incentives where none are needed.

[1] Policy Matters Ohio intern Abeera Riaz Sheikh provided research assistance for this report.

Introduction

The state of Ohio during the last year offered Wal-Mart Stores incentives and other assistance totaling $10 million for three major facilities it was locating in the state. Together, these operations will employ 1,800 workers averaging $12 an hour in pay.

As welcome as new jobs and investment are, the incentives used to draw them deserve examination. In Fayette County, 40 miles southwest of Columbus, the Ohio Tax Credit Authority (OTCA) voted to approve job creation tax credits months after Wal-Mart had already begun construction of an 880,000 square foot warehouse. The credits for this project are likely to be worth $2.6 million over 10 years, and the state is providing $1.1 million in other aid. The fact that construction was in progress as the credit was issued raises the question of whether such help was needed to secure these positions, especially with Ohio facing a budget crunch. With another job creation tax credit to Kroger Co. that is awaiting final sign-off, the department did not follow its own policies covering aid in corporate relocations. Together, these cases suggest that the process of granting such credits needs tightening.

The Ohio Job Creation Tax Credit program provides a credit against corporate franchise or income tax. The total credit is based directly on the amount of state income tax withheld from paychecks of new, eligible full-time employees.[2] Projects must create at least 25 new full-time jobs within three years of initial operations, except in unusual circumstances.[3] Generally the pay must average at least 1.5 times the U.S. minimum wage (the minimum wage is currently $5.15 an hour, so jobs must pay an average of at least $7.73), and companies must make a substantial fixed-asset investment. Companies generally receive tax credits of 50 percent to 75 percent of Ohio income-tax withholdings from new full-time employees for up to 10 years, and must agree to maintain operations at the site for twice the time during which they receive the credits. Projects must also receive financial support from the local community.

Credits must be approved by the five-member Ohio Tax Credit Authority, which includes the director of the Ohio Department of Development, two members appointed by the governor, one by the speaker of the House and one by the president of the Senate. The Tax Credit Authority must determine in each case that "receiving the tax credit is a major factor in the taxpayer's decision to go forward with the project."[4]

Did Wal-Mart meet this standard? The authority decided in each of the three cases that it did.[5]

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[2] Ohio Job Creation Tax Credit Program, Program Guidelines and Application Process, http://www.odod.state.oh.us/EDD/jctc/GUIDELIN.pdf.

[3] Credits can be awarded for projects involving as few as 10 new jobs, if they pay at least four times the U.S. minimum wage.

[4] Ohio Revised Code, Chapter 122.17, Section (C)(3).

[5] In one case in Jefferson County, the Authority has approved the credits, but the agreement has not yet been finalized.

Wal-Mart in Ohio

Wal-Mart Stores is the largest company in the country, with revenues last fiscal year of \$217.8 billion and profits of more than \$6.6 billion. The company first entered the Ohio market in 1988 and by last year was the sixth-largest employer in the state, with 20,960 full-time equivalent employees.[6] It has more employees in Ohio than such long-time major employers as General Electric Co., Ford Motor Co. or Procter & Gamble Co., and just 160 fewer than the Cleveland Clinic Health System.

Nationwide, Wal-Mart has been rapidly expanding its Supercenters, or combination stores for groceries and general merchandise. It announced in May, for instance, that it would open as many as 40 in California over the next four to six years. Wal-Mart plans to open 180 to 185 Supercenters in its current fiscal year, 110 to 115 as relocations or expansions of existing stores.[7] The company operates more than 1,100 Supercenters nationwide, and now has become the largest food retailer in the country. It has been expanding its Supercenters in Ohio too, and now has 20 in the state. Others are on the way.[8]

Supporting the national Supercenter expansion is a growing network of food distribution centers. Ten of the company's 21 food distribution centers were opened in the past two years, according to *DSN/Retailing Today*, and four more were set to open in June and July, including the one in Washington Court House, Fayette County, discussed later in this brief.[9]

Ohio Incentives

Wal-Mart is to receive aid for three Ohio projects, each to employ 600 workers at an average of \$12 an hour plus \$4 an hour worth of benefits when they are fully operational. These are higher-paying positions in comparison to most jobs in Wal-Mart retail stores and near the median wage in the state, but below the average for warehouse workers in Ohio.[10] It is not clear how much all the different employees will earn, since \$12 is an average including higher- and lower-paid workers.

Two of the projects approved last year, in Washington Court House and outside Steubenville (Jefferson County), are food distribution centers. The third is an optical-manufacturing and distribution center, for which the company is using leased space in Columbus. As required, each project also will receive local assistance (see Appendix 1 for a description), and in each case, the company has promised that minorities or

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[6] Wal-Mart web site and Data Line Ohio, Ohio Department of Development, Office of Strategic Research, Vol. 9, No. 12, December, 2001.
[7] http://www.walmartstores.com
[8] "Wal-Mart May Spark Grocery War," Jim Bohman, *Dayton Daily News*, May 30, 2002.
[9] "Competitive Advantage Lies in Systems Efficiencies," *DSN/Retailing Today*, June 10, 2002.
[10] U.S. Department of Labor, Bureau of Labor Statistics. The average weekly wage in the public warehousing and storage industry in Ohio in 2000 was \$583, or \$14.57 an hour based on a 40-hour week.

disadvantaged persons will make up at least 10 percent of the workforce.[11] The authority considers this proportion as a factor in deciding how big a tax credit to grant. Table 1 provides details on each project.

Table 1

Three Wal-Mart Projects Approved by the Ohio Tax Credit Authority in 2001

Location One

Location	Columbus, Franklin County
Description	Wal-Mart will lease 120,000 square-foot facility for manufacture and distribution of eyeglasses
Fixed-Asset Investment	At least $9 million in machinery and equipment
Job Creation Tax Credit Commitment	75 percent for 8 years, with the tax credit beginning in February 2002, or $2.2 million benefit to the company
Date Approved by the OTCA	Aug. 27, 2001
Other State Assistance	$400,000 Ohio Investment in Training Program grant

Location Two

Location	Washington Court House, Fayette County
Description	Construction of 880,000 square-foot food distribution center
Fixed-Asset Investment	$40 million
Job Creation Tax Credit Commitment	70 percent for 10 years, with tax credit beginning in February 2002, or $2.6 million benefit to the company
Date Approved by the OTCA	Oct. 29, 2001
Other State Assistance	$500,000 for roadwork, $200,000 Ohio Investment in Training Program grant, $400,000 Community Development Block Grant

Location Three

Location	Island Creek Township, Jefferson County (near Steubenville)
Description	Construction of 880,000 square-foot food distribution facility
Fixed-Asset Investment	$40 million
Job Creation Tax Credit commitment	75 percent for 10 years with the tax credit beginning in February 2003, or $2.8 million benefit to the company
Date Approved by the OTCA	Dec. 3, 2001
Other State Assistance	Ohio Investment in Training Program grant to be determined (not finalized yet), $600,000 for roadwork, $483,599 Appalachian infrastructure grants, and a possible $650,000 warehouse equipment sales tax exemption

[11] Disadvantaged persons are defined to include certain unemployed, disabled or low-income individuals, or those eligible for Workforce Investment Act Program assistance.

Did Wal-Mart need these credits to locate in Ohio? The Development Department says that the company's answers to that question in its applications for credits are not a public record. However, Gov. Bob Taft's office said in a news release that the job creation tax credit was a major factor in Wal-Mart's decision to locate its glasses-manufacturing operation in Ohio rather than Indiana, Kentucky, or Tennessee.[12] One could imagine that the company could have located the Jefferson County facility just across the Ohio River in West Virginia. According to news reports, Wal-Mart also looked into sites there.

On the other hand, the company already operates food-distribution centers in Garrett, Ind., London, Ky., and Bedford, Pa., and has not had any in Ohio until now. Wal-Mart has two distribution centers in the state for non-food merchandise, and has a growing need to serve its Ohio grocery operations. In a press release announcing the Washington Court House project, the governor's office said the grocery items held at the facility would be distributed to Wal-Mart stores within a 150-mi radius. That means the competition from other states was limited.

Ohio was a likely location for a Wal-Mart food warehouse. In the end, though, there is no need to speculate about whether the company needed job-tax credits to build the Washington Court House facility. The company announced its intent and started building the distribution center months before its job creation tax credit was approved.

Washington Court House

Before it decided on locating in Washington Court House, Wal-Mart looked at other possible sites, including Springfield, Lebanon, and Xenia in Ohio (local development officers say the company also said it was looking in Northern Kentucky).[13] Robert P. Stempfer of the Development Department's legal division said that Wal-Mart's application said in its "major factor" statement that "it was an economic feasibility issue, and they were looking at sites in Indiana and Kentucky also."

The company had found a site, but it had fallen through, according to Jamie Gentry, deputy director of economic development for Fayette County.[14] That meant Wal-Mart was in a hurry to get going.

On March 14, 2001, the Ohio Department of Development outlined its preliminary commitment of assistance for the Washington Court House project, including a possible job tax credit. Such letters, based on discussions between companies and Development Department officials, describe the various state incentives that companies may be able to take advantage of. The letters may set parameters to help move to the next level of

[12] "Governor Announces Assistance for Wal-Mart Project," News Release, Governor Bob Taft, August 27, 2001. The same statement also was made in the state's tax credit agreement with the company.
[13] Letters from C. Lee Johnson, Director of the Ohio Department of Development, to Doug Stachowiak of Carter & Burgess Inc., Sept. 20 and Nov. 20, 2000. Interview with Phil Houston, Greene County Department of Development, June 4, 2002.
[14] Interview with Jamie Gentry, May 17, 2002. The site actually was in Fayette County's Union Township, which since has been annexed by Washington Court House.

interest in site selection, according to Stempfer.[15] They precede the formal application for a job creation tax credit, and are contingent on program review.

On June 5, Wal-Mart said it would build the Washington Court House distribution center. “This center is part of a long-term plan for Ohio, and the upper Midwest in general, to expand our grocery market,” company spokesman John Bisio told the *Columbus Dispatch*.[16]

Wal-Mart went ahead and started construction on the 880,000 square-foot. building last summer. Its official application for a job creation tax credit was dated Aug. 2, but was not received by the Development Department until about Sept. 24. The department doesn’t know the reason for the delay, and Wal-Mart did not respond to phone calls on its Ohio facilities. With construction already under way, the Tax Credit Authority approved the tax credit at its meeting Oct. 29.[17]

State guidelines for such tax credits say, “The project must not have already started at the Ohio site or have been publicly announced to be undertaken at the site prior to approval by the Authority.”[18]

Officials at the Ohio Department of Development have offered reasons for why the tax credit was granted despite the guideline. They note that they informed the company it was taking a risk by proceeding, and that it might not get the incentives that had been discussed.[19] The same day the project was announced, the Development Department’s interim director, Joseph C. Robertson, sent such a letter to Wal-Mart’s representative, Doug Stachowiak of Carter & Burgess Inc., extending the expiration date for its commitment of assistance. This “go forward” letter warned that the assistance could not be guaranteed.[20]

[15] Interview with Robert P. Stempfer, May 31, 2002.
[16] “Wal-Mart Plans Food Warehouse,” Diya Gullapalli, *The Columbus Dispatch*, June 6, 2001, p. 1B.
[17] The job creation tax credits for the Washington Court House and other Wal-Mart projects were approved by the Tax Credit Authority contingent upon each project receiving financial aid from the local community. Fulfilling that requirement, David L. Bullington, Wal-Mart Stores East Inc.’s tax vice president, signed an enterprise zone tax-incentive agreement with the city of Washington and Fayette County on Jan. 11, 2002. The agreement noted that the company had completed nearly 50 percent of real property improvements, totaling $13,661,100, based on the appraisal by the county auditor’s office (Ohio Enterprise Zone Agreement, City of Washington and Wal-Mart Stores East, p. 11). Thus, when the state Development Department gave its final sign-off on the job creation tax credit five days later, the facility was already half-built (Tax Credit Agreement, Wal-Mart Stores East Inc. and State of Ohio Tax Credit Authority, Jan. 16, 2002. Tax Credit Authority Number ECDD 01-147).
[18] Ohio Job Creation Tax Credit Program, Program Guidelines, p. 2.
[19] Interview with Daryl P. Hennessy, Executive Director of the Ohio Tax Credit Authority, and Robert P. Stempfer, May 20, 2002.
[20] “I understand that your client may need to proceed with its project prior to receiving approval from the Ohio Tax Credit Authority and State Controlling Board,” Robertson wrote. “Although your client proceeds at its own risk, it will remain eligible to receive state assistance. However, please be aware that I cannot guarantee these approvals as the sole authority for approval rests with the individual boards.” Joseph C. Robertson, letter to Doug Stachowiak, June 5, 2001.

Daryl P. Hennessy, executive director of the Ohio Tax Credit Authority, said the building was "a shell" not specialized for Wal-Mart's use when its agent received the letter. It could have decided not to proceed with the rest of the project and sold the property to someone else.

"ODOD's mission is to encourage and facilitate investment in Ohio," said Stempfer of the department's legal division in a letter.[21] "When a company presents a project timetable which does not allow for all the necessary approvals to be finalized, ODOD may provide the company the option to proceed "at risk" knowing that the incentives discussed may not receive approval. While this is not the preferred procedure it does reflect flexibility to the realities of business decisions." Or, as Stempfer put it orally, "Our mission is to encourage development and try and make it happen…to say you have to wait until you get approval, even if you're at risk, doesn't get that point across…"[22]

Stempfer also said that control is not always centralized in such projects. "I'm sure the company believes these incentives are very important, yet they may not be able to hold up their other segments of their company in order to receive them sometimes." For instance, a company might not be able to keep its engineering or property purchasing from going ahead, he said. Still, that seems unlikely for Wal-Mart, a paragon of efficiency.

Overall, in the Washington Court House project, the Tax Credit Authority appears to have stepped around the intent of the law in determining the credit was a major factor in Wal-Mart's decision to invest in Ohio.

Aid to Kroger

Wal-Mart is not alone among food retailers in receiving Ohio's job-creation tax-credit largesse. On May 17, Kroger Co. broke ground in Delaware County for a new cookie and cracker distribution center, which will receive a job creation tax credit and $1 million in other incentives.[23] The facility replaces other facilities in Whitehall and Columbus, relocating 439 jobs and adding 276 new ones. The Tax Credit Authority on Jan. 28 approved job tax credits of 70 percent over 10 years, saving Kroger an estimated $1,370,183.

According to the governor's press release, the distribution center will serve Kroger stores in central and southern Ohio, Toledo and northern West Virginia. That raises the question whether there was much likelihood of this facility being built outside Ohio, with or without incentives. According to Hennessy, Kroger said in its application for the job creation tax credit that it needed the credit to make the project economically feasible. "They're arguing these new jobs wouldn't have occurred without the state assistance," he said.[24]

[21] Letter from Robert P. Stempfer, Ohio Department of Development Legal Division, June 10, 2002.
[22] Interview with Robert P. Stempfer, June 7, 2002.
[23] "Taft Attends Celebration for New Kroger Facility," News Release, Governor Bob Taft, May 17, 2002.
[24] Interview with Daryl P. Hennessy, June 24, 2002.

The Development Department may grant incentives to a company relocating a facility within Ohio if the department notifies the affected communities of the relocation, and if its director determines that the site from which the employment positions would be relocated is inadequate for one of a number of business reasons. Kroger's job tax credit has not yet been officially executed, but the Development Department has acknowledged that it did not follow its guideline and properly notify all affected communities prior to the Tax Credit Authority's January decision. And a few days after the ground breaking in May, the director had yet to make the required determination.[25]

The department's task of informing affected communities was handled in a somewhat lax fashion. The Kroger project involved movement of jobs to Delaware from other locations. But the department erred twice in informing communities impacted by the relocation. It incorrectly identified Hamilton Township, Franklin County, as the location of one Kroger site with 92 workers. Then, in attempting to reach officials at Hamilton Township, it mistakenly sent notification to an official in Hamilton County instead.

However, the Kroger facility is located in Columbus, not Hamilton Township. As it happens, the department had notified officials in Columbus of the possible transfer of 55 jobs, because of another Kroger facility there that would be affected by the Delaware opening. So, by chance, officials in fact notified all the relevant communities, though they had not told Columbus about both affected facilities or the total number of employees. Columbus did not comment in January to the authority on the relocation.

In early June, after the department learned it had sent notice to the wrong community, Hamilton Township and Columbus were notified of the proposed tax credit and relocation and given an opportunity to comment. Even then, the department wasn't certain which community the Kroger facility was in. Columbus notified the department that it would have comments. However, it only did so 10 days after the June 14 comment deadline, and on June 20, Development Department Director Bruce Johnson officially determined that the project met relocation restrictions.[26] The tax credit itself awaits final departmental approval.

Mark Barbash, director of development for the city of Columbus, raised several concerns in a July 1 letter to OTCA Executive Director Hennessy about the Kroger relocation. "We are concerned about a policy that lets companies obtain state tax incentives for short-distance moves (such as to an adjacent county)," he wrote. "Such a policy can encourage 'tax abatement chasing' and is not in the best interests of local government." Barbash also called it "incongruous" for state tax incentives to be offered for jobs moving from that site, which is located in the Columbus enterprise zone. The owner of the property previously received a local tax exemption, and Kroger's move may detract from the success of that project, he said. Barbash also cited "large sums of public dollars" that

[25] Interview with Stempfer, May 21, 2002.
[26] Ohio Director of Development's Determination Regarding Relocation Restrictions, The Kroger Co., June 20, 2002.

have been poured into developing the general area for the distribution and logistics industries.

"In the future, we would appreciate receiving notification early enough so that we can work with employers to keep jobs in Columbus," Barbash wrote. "We would also appreciate more careful consideration by ODOD in the case of projects seeking state tax incentives for jobs relocating away from Columbus."[27]

Stempfer said that Columbus city officials were aware of the Kroger project, and dismissed Barbash's letter, saying it was written to have something on file. Prior to the letter, Stempfer denied that the department's handling of the Kroger relocation suggested that local authorities' opinions were being considered too casually in the granting of credits. "The project was taken before the authority in good faith, the individuals attempted to comply with the requirements, and unfortunately, a notice was issued in error," he said.

High-road firms?

Ohioans might be surprised to learn that one of the companies to receive credits is a medical-cost management company, whose business is telling doctors whether they can admit patients for hospital treatment. The Tax Credit Authority on May 20 approved a 60 percent, 5-year tax credit for American Health Holding Inc., a company based in Westerville that is expanding there. It promised to retain 116 jobs and generate 133 new ones paying an average of $15.86 an hour.

One of the authority's members, Charles E. Webb, vice president of the Greater Cleveland Growth Association, asked American Health's chief executive how the company was dealing with its industry's poor media image. "Are you always the bad guy?" he asked. CEO William R. Wilkin said that "it appears as though our services are here to stay," because business groups want them.

That may be so, but it suggests that the community impact of a firm should be considered in the award of tax credits. That point also could be raised regarding Wal-Mart, which has become known for driving locally owned stores out of business.[28] Although the average wage of positions being added in the new Ohio facilities will be close to the median in the state, the company's labor relations practices nationally have come under fire.[29] In one recent article, the *New York Times* quoted a dozen employees from around the country who allege they were forced to work hours of unpaid overtime. It noted that

[27] Letter from Mark Barbash, director of development, City of Columbus, to Daryl P. Hennessy, executive director, Ohio Tax Credit Authority, July 1, 2002

[28] "Monster in a Box," Mark Fitzgerald, *Editor & Publisher*, May 27, 2002. The story's subheadline says: "Small-town papers know all the ways Wal-Mart Supercenters can kill their best retail advertisers. Big-city papers are about to learn."

[29] "Is Wal-Mart Hostile to Women?" Michelle Conlin and Wendy Zellner, *Business Week*, July 16, 2001. "Union Blues at Wal-Mart," John Dicker, *The Nation*, July 8, 2002.

employees or former employees in 28 states had sued Wal-Mart alleging they were forced to work off the clock without pay.[30]

Recommendations

This research brief has explored a handful of job creation tax credits provided to companies locating operations in Ohio. One study of the job creation tax credit several years ago commended it for a "strong positive impact on Ohio's economy…"[31] However, our examination suggests that the process of awarding job creation tax credits needs to be tightened. As welcome as new jobs are, state policy should ensure that companies are not provided incentives where none are needed.

Specifically:

- The Ohio Tax Credit Authority should enforce its guideline not to award incentives when projects already have been publicly announced or begun. It also should consider very carefully whether to award incentives to distribution centers, many of which need to be located in a large state like Ohio.

- Projects often are rendered ineligible for the job creation tax credit because they fail to comply with the program's guidelines.[32] The state also should make sure that any subsidy is repaid if a company is found liable for violating labor laws.

- Firms should not be provided development aid when moving from one Ohio community to another except in unusual circumstances. When such aid is considered, the Tax Credit Authority should improve its process for informing affected communities about the incentives.

- Companies' explanations of why the credit is important in their decisions to locate in Ohio are crucial for the public to effectively review the program. Such explanations do not require the disclosure of proprietary financial information. They should be part of the public record and available upon request.

- In discussing the credits with the authority, companies often say that they will pay average wage rates higher than the $7.73 an hour currently required by the law. These rates are a factor in the authority's decisions on how large credits should be. However, these average wage rates lump together pay for all workers, when some may make a good deal more or less. Employers receiving the credits should

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[30] "Suits Say Wal-Mart Forces Workers to Toil off the Clock," Steven Greenhouse, *The New York Times*, June 25, 2002, p. 1.

[31] "An Assessment of the Costs, Benefits, and Overall Impacts of the State of Ohio's Economic Development Programs – Final Report," Prepared for The Ohio Economic Development Study Advisory Committee, The Urban Center, Maxine Goodman Levin College of Urban Affairs, Cleveland State University, May 28, 1999, p. 167.

[32] Ohio Job Creation Tax Credit Program, 2000 Annual Report, Letter from Bruce Johnson, Director of Development and Chairman, Ohio Tax Credit Authority, to Governor Bob Taft, Senate President Richard Finan and House Speaker Larry Householder, Dec. 28, 2001.

be required to publicly specify the hourly pay for each job in their annual performance reports to the state. This will insure that the original intent of the authority in granting the credits is met.

Together, these changes will make the incentive program more accountable and deter unneeded tax breaks Ohio can ill afford.

Appendix

One of the conditions for receiving the Job Creation Tax Credit is for the applicant to get financial assistance for the project from the local community. The local financial assistance obtained for the three Wal-Mart projects includes:

<u>Local assistance in Jefferson County</u>

- An Enterprise Zone agreement with the county granting Wal-Mart:
  -100% exemption of tangible personal property tax on new machinery, equipment and inventory for 10 years
  -60% tax exemption on real property improvements for 10 years
  Total estimated savings for Wal-Mart: $3,581,070
- Jefferson County also has invested in infrastructure improvements

<u>Local assistance in Fayette County</u>

- An Enterprise Zone agreement with the county and the city of Washington Court House granting Wal-Mart:
  -40% exemption of tangible personal property tax on new machinery, equipment, furniture and inventory for 10 years
  -80% tax exemption for 10 years on real personal property improvements not yet completed at the time of the agreement
- The city of Washington Court House financed more than $1.1 million of public infrastructure improvements. Wal-Mart also saved on land costs.

<u>Local assistance in Franklin County</u>

- The local assistance provided by Franklin County for the Columbus project (originally in Hamilton Township until the area was annexed) was in the form of a 100%, 15-year, Community Reinvestment Area real property tax exemption. There is no direct aid to Wal-Mart because the building is being leased by Wal-Mart from Pizzuti Cos. and partner ABX Air Inc. Once it is finished, the County Auditor’s office has to determine increased value due to improvement on real property. Based on Pizzuti’s investment, the tax exemption per year for the owners is going to be approximately $315,143.