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.