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Web address: http://www.policymattersohio.org/pdf/Wal-Mart2009_0428.pdf

Wal-Mart repays Ohio \$1.7 million for Incentives on plant it is shutting down

Wal-Mart has paid the State of Ohio back \$1.7 million for a tax incentive on an eyeglass plant that the retailer is now shutting down. The action underlines the usefulness of “clawbacks” of this kind that require companies to make good on the promises they make in winning state incentives or pay money back to the state.

Wal-Mart received an eight-year Job Creation Tax Credit beginning in 2002 for its optical lab in Lockbourne, near Columbus. The company announced in late March that it was shutting the plant, eliminating the jobs of 646 people. Operations will be moved out of state.

Currently, the Job Creation Tax Credit program provides that companies that do not maintain operations for at least the number of years of the tax credit may be required to pay back up to 100 percent of the credits that have been allowed. The Ohio Tax Credit Authority terminated the tax credit agreement with Wal-Mart on April 27 under a settlement that required the company to return the tax credits it had received. The company also returned one tax credit certificate that had not yet been claimed. According to the Department of Development, Wal-Mart’s check was delivered to the state Department of Taxation on Monday afternoon.

In a 2002 report (see <http://www.policymattersohio.org/walmartintro.htm>), Policy Matters Ohio raised questions about incentives awarded to Wal-Mart. At that time, we argued that the process of awarding Job Creation Tax Credits should be tightened. The relocation of the eyeglass factory reinforces the need for tightening the program.

Unfortunately, the budget bill proposed in the Ohio House of Representatives would loosen the JCTC program in a number of ways. Under the bill, the tax credit would no longer require that a specific number of new full-time jobs be created. Instead, it would set a requirement in full-time equivalents, allowing hours of part-time employees to qualify. It would also establish a payroll measure. However, under that requirement a company that paid a handful of executives large bonuses might qualify.

In one positive step, the bill now under consideration by the House apparently contains a proposal to increase the amount of claimed credits that must be returned in certain circumstances.



However, the budget bill also significantly broadens the Job Retention Tax Credit and creates a number of other credits that deserve additional scrutiny.

Wal-Mart's payback of the JCTC illustrates the need for strong clawback provisions in state and local economic development incentives. The General Assembly should take this opportunity to review the clawback provisions for all of Ohio's economic development incentive programs and strengthen them as needed.

Policy Matters Ohio is a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus.