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creating jobs but prevents the public from knowing who got them and why.

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A battle is raging over a California program that grants businesses tax breaks for creating jobs but prevents the public from knowing who got them and why.

At issue are enterprise zones, which were established to boost employment in disadvantaged urban neighborhoods and rural areas. California is home to 40 of these special districts, in which about 35,000 companies have qualified for tax credits. Last year they reaped an estimated \$700 million in credits — a figure that state tax officials project will grow to \$1 billion by 2016.

Giants FedEx Corp. and Wal-Mart Stores Inc. have availed themselves of these incentives, which are worth as much as \$37,400 for each hire. So have small businesses, including two Sacramento strip clubs named Gold Club Inc. and Deja Vu Showgirls.

But the identities of most beneficiaries are a mystery. Because of the confidential nature of state tax laws, it's nearly impossible to find out which companies got credits, how much they were worth and how the companies qualified for them.

Gov. Jerry Brown is now seeking to eliminate enterprise zones, which he has decried as inefficient, opaque and “loose” in handing out tax breaks. His administration contends that the program has rewarded some firms for simply moving jobs from one part of California to another and that it has helped businesses not located in impoverished areas. And it has showered benefits on low-wage industries including fast-food restaurants and retailers that do little to build middle-class jobs.

“Enterprise zones are not producing the kind of economic growth that we want,” said Kish Rajan, the director of Brown’s business development team. “Not in

manufacturing or biotech research and development.”

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defend enterprise zones, calling them a crucial economic development incentive in a state that has long been considered unfriendly to business.

Los Angeles Mayor Antonio Villaraigosa is a major proponent of the zones. L.A. boasts two vast enterprise zones. One is centered in Hollywood and contained entirely within the city limits. The other is shared with the county in an area covering Highland Park, Eagle Rock, Chinatown, Boyle Heights and unincorporated areas of East Los Angeles. The county also administers the Harbor Gateway Communities Enterprise Zone with the cities of Los Angeles and Huntington Park.

Combined, these enterprise zones and others make Los Angeles County the No. 1 area in the state for handing out enterprise zone tax credits, with a 37% share in 2010, according to California tax officials.

“State enterprise zones are one of the few tools we have to create economic opportunity in the areas that need it most,” said Vicki Curry, Villaraigosa’s senior press secretary.

Businessman Martin Lopez credits the enterprise zone program with helping his small health-products business prosper. His company, Herbs of Mexico, is based in East Los Angeles with branches in Huntington Park and Fontana.

The incentives, Lopez said, helped him triple revenue and staffing over the last six years at his three stores, which sell traditional health remedies from Latin America. His business qualifies for the credits because his stores are in areas defined as economically distressed and because he hires economically disadvantaged workers such as ex-prisoners, veterans and the long-term unemployed.

“I’m very comfortable using those credits to do something worthwhile, and that helps me as a small-business owner,” he said. “It’s the first business I’ve successfully owned.”

But critics of enterprise zones say that most of the benefits flow to large companies.

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The Times, whose headquarters are in downtown L.A., “meets the qualifications of the California Enterprise Zone tax credit and has taken the credit in prior tax years,” Tribune spokesman Gary Weitman said in response to a query from a Times reporter. He declined to provide further details.

State Sen. Jerry Hill (D-San Mateo) and other lawmakers say all the secrecy makes it impossible to root out abuses or to discern whether the zones are effective. Hill is the author of a bill, SB 434, that would limit enterprise zone benefits and increase oversight and public disclosure.

“Without transparency, we and the taxpayer are in the dark,” Hill said. The enterprise zone operators “don’t want us to see what benefits businesses received and how much money it’s costing us.”

The California Assn. of Enterprise Zones contends its programs have boosted local economies. The state’s enterprise zones added 25,000 new jobs and saved 110,000 existing ones in 2012 alone, said Craig Johnson, the group’s president and the manager of an enterprise zone in Long Beach. “I’d say that’s a pretty good sign of success,” he said. The association’s data are mainly self-reported by employers.

A recent report by the state’s legislative analyst contradicted Johnson’s assessment. It said the “most rigorous research has found that [enterprise zones] do not create a net increase in jobs or increase the rate of job creation.” The analyst also raised the question of whether many of those hires would have been made anyway, without the enterprise zone incentive.

In a 2009 study, the Public Policy Institute of California said it was skeptical whether a “cash-strapped state” could afford to continue enterprise zones, given “the absence of evidence of a beneficial effect of California’s enterprise zones on job and business creation.”

Gov. Brown has lambasted the program for rewarding companies with up to five

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distribution center south of San Francisco, laying off about 200 union workers, who were denied opportunities to transfer to a new facility in Visalia, 235 miles southeast in Tulare County.

VWR “took \$22-an-hour jobs with family healthcare and pensions and turned them into \$10-an-hour jobs with unaffordable healthcare and no retirement,” said Doug Bloch, political director for the International Brotherhood of Teamsters in Northern California.

Whether VWR is getting tax credits or plans to seek them for the replacement hires in Visalia is unclear. The Sequoia Valley Enterprise Zone, which covers all of Tulare County, declined to discuss VWR’s status, citing tax confidentiality laws.

“To date, VWR has not claimed any enterprise zone tax credits or benefits,” said Valerie C. Collado, a company spokeswoman. Nevertheless, experts note that VWR appears to qualify for the incentive. Under current California law, the company could take up to four years to seek retroactive tax credits, without the public knowing about it.

The efforts by Sen. Hill and the governor still must overcome strong opposition from powerful lobbies for the local officials at dozens of enterprise zones who dole out tax credits as well as complaints from the companies that get them. Those companies make millions of dollars in political contributions to legislators and state and local elected officials.

Persuading the needed two-thirds of the members of both houses of the Legislature to get rid of a popular business tax break won’t be easy. This month, seven state senators and Assembly members from the Latino Legislative Caucus wrote to Brown, asking him to slow down his efforts to eliminate the zones.

“We are hearing from our constituencies, leaders, employees and businesses alike

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