

SALT BUZZ_{HF}

STUDY FINDS THAT TAX ABATEMENTS BENEFIT ALL TAXPAYERS

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A study performed for Franklin County, Ohio, found that real estate tax abatements reduced property taxes for all taxpayers in the area, not just those receiving the direct abatements. This may be the first study in Ohio to confirm the effectiveness of real estate abatements as a way to spur economic development and growth for all citizens in the area of the effected property.

The study, entitled Evaluation of Real Property Tax Abatements in Franklin County, Ohio, was prepared by the Lincoln Institute of Land Policy using actual data and a regression analysis. Franklin County Auditor Clarence Mingo provided assistance to the Institute, including his expertise, data resources and data support. The study is available through the following link: <http://www.franklincountyauditor.com/public/documents/pdf/a6e852f0-b103-b773-5b6bda0b187cd1b3.pdf>.

In Ohio, the primary tax abatement options are the Enterprise Zone program and the Community Redevelopment Area (“CRA”) program. The Enterprise Zone program allows the abatement of up to 75% of real property taxes for a period of up to ten years. The CRA program allows the abatement of up to 100% of real property taxes for a period of up to fifteen years. Both programs have been available in Ohio for decades. Many other states offer similar abatement programs. The study focused on the impacts of these two programs and did not include other incentive programs such as the job creation tax credits or tax incentive financing arrangements.

The study reports that “regression analysis shows that higher use of property tax abatements is correlated with lower tax rates and higher property values in Franklin County The regression results imply that a one percentage point increase in a school district’s abatement intensity would result in an \$11 reduction in the annual tax bill for a \$100,000 residential real property.”

As observed in the study, while the savings is relatively small, the results indicate that the abatements are successful in generating enough overall growth in the area's property values to offset the immediate drop in the tax base.

Property tax abatement programs often come under attack because they are perceived as tax breaks for business and developers at the expense of school districts and taxpayers. The results of this study refute such claims and may help policy makers and economic development professionals justify the benefits of property tax abatement programs.

Any business that is considering a new location or expanding in their current location should always consider the benefits of government sponsored economic development programs. Almost all states offer such programs to attract new jobs and investment. Our professionals are available to discuss the programs offered by Ohio and other states, as well as to evaluate the benefits and costs associated with Ohio and non-Ohio locations.

If you have any questions regarding tax abatements please contact [Tom Zaino](#) or any other [ZHF professional](#).

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