



Empire Zones

By Kathleen Moriarty

1. What is the Empire Zone Program website and contact information?

Most information regarding this agency can be located through the following websites:

(1) Empire Zones Webpage:

http://www.empire.state.ny.us/Tax_and_Financial_Incentives/Empire_Zones

(2) Empire State Development, Buffalo

424 Main Street- Suite 717

Buffalo, NY 14202

Phone: 716-856-8111

1-800-STATE-NY

1-800-782-8369

Fax: 716-856-1744

(3) Empire Zone Coordinator, Buffalo:

Buffalo Economic Renaissance Corp.

920 City Hall

65 Niagara Square

Buffalo, NY 14202

Phone: (716) 842-2667

Fax: (716) 842-6942

2. Who runs the Empire Zone program?

The Commissioner of Economic Development of New York State's Department of Economic Development (DED), also known as the Empire State Development, oversees the program. Empire Zone applications also require approval by the NYS Department of Labor. At the local level, however, Zone Administrative Boards and Zone Coordinators execute the program; there are 100 Zone Coordinators across New York State. The Office of the State Comptroller supervises the fiscal responsibility of the program.ⁱ

3. What is the mission of the Empire Zone Program?

The Empire Zone (EZ) program was designed in 1986 to “bring jobs and economic opportunity to areas characterized by *pervasive poverty, high unemployment, and overall economic distress.*”ⁱⁱ

4. What geographic area does the Empire Zone Program serve?

Empire Zones can be found in almost every county across New York State.

5. What members of the Empire Zone Program are involved in the application process, and what is each member’s role?

An employer seeking EZ status applies first to the local Zone Administrative Board and to the Local Zone Certification officer. If an employer’s application is approved at this level, the application moves to the state level, where the Commissioner of Labor reviews it. Finally, it is reviewed and approved by the NYS Commissioner of Economic Development.ⁱⁱⁱ

6. How much is expended annually for the Empire Zone Program?

According to a 2004 State Comptroller’s Report, the Empire Zone Program cost the state \$291 million in 2004. It was estimated by Trudi Renwick, Senior Economist with the Fiscal Policy Institute, that New York State would expend \$585 million in 2007 (up from \$30 million in 2000).^{iv}

7. How is the Empire Zone Program funded?

The primary function of the program is to provide tax breaks to businesses in blighted areas, so there is no direct funding. Are the tax breaks funded by higher taxes from other New York taxpayers, or does the “new business” create enough revenue in other ways to help alleviate this burden? The answer to this question depends on who you ask.

8. How does a business qualify for the Empire Zone Program and its benefits?

A business that is interested in participating in the Empire Zone Program must be located within the Empire Zone or must qualify as a regionally significant project. To qualify as a RSP, the effort must create at least 50 manufacturing jobs, 20 agri-business jobs with a minimum investment of \$10 million, or create 30 jobs in the financial, insurances services or distribution center fields. If a business meets one these standards, it is encouraged to apply for certification. Certification requires that a business demonstrate its ability to create a significant amount of new jobs or that it will invest its resources - capital dollars or physical development - in a way that meets the needs of the local zone’s growth plan. Businesses are approved at the local level first and then at the state level.^v

9. What type of subsidies does the agency give? ^{vi}

Benefits for Empire Zone certified businesses and organizations come primarily in the form of tax breaks.

(1) **Wage Tax Credit:** Certified businesses within the zone receive a \$1,500 tax credit per qualified employee and a \$3,000 credit for specially targeted employees. A qualified employee earning \$40,000 or more earns an additional \$500 credit for her employer.

(2) **Investment Tax Credit:** Available to companies making an investment in the zone for depreciable property and/or equipment which is principally used in manufacturing, processing, assembly, industrial waste treatment or air pollution-control facilities.

(3) **Zone Capital Credit:** Personal or corporate income tax payers are eligible for a 25% tax credit for qualified investments in zone businesses, or contributions to approved community development projects.

(4) **NYS Sales Tax Refund:** A refund of the state portion of the sales tax is available to *any* business that purchases materials used in the construction or renovation of certain properties located within an Empire Zone.

(5) **Sales Tax Exemption:** Qualified Empire Zone Enterprises (QEZE) – businesses that must meet certain job growth requirements - are eligible for sales tax exemptions for certain utilities and telephone services, and goods and services used predominantly and directly in the zone.

(6) **Real Property Tax Credit:** QEZEs are eligible for real property taxes based on the amount of jobs created, wages and benefits invested in the zone.

(7) **Tax Reduction Credit:** QEZEs are eligible for a credit against tax equal to a percentage of income taxes attributable to the zone enterprise based on its employment growth in the zone.

(8) **Additional Local Benefits:** Municipalities designated as Empire Zones may also offer additional incentives including sales tax refunds, and property tax abatements for real property improvements in the Zone. Many utility companies (including gas, electric and telephone services) also offer rate reductions to certified Empire Zone businesses. Check with the local zone administrator to see what additional reductions are available in your municipality.

10. What are some examples of Empire Zone Businesses or Projects?

- The AM&A's Project is one in the works to turn the store's old warehouse on Washington Street in downtown Buffalo into marketable apartments. At the time the article was printed, Developer Rocco Termini had not been approved for Empire Zone credits, but it was expected that he would. Termini compared his project to the GEICO project, "[i]f agencies are willing to help a suburban project in an area that really doesn't need it, they should be willing to do something in an area that really needs it." ^{vii}
- Buffalo Motor Car, owned by Jim Sandoro, is one of the Empire Zone businesses that faces decertification for its failure to create the number of jobs it promised. Projects related to Buffalo Motor Car include the Buffalo Transportation/Pierce Arrow Museum on Michigan Avenue, which is in the process of building a Frank Lloyd Wright-designed filling station that will

adjoin the museum. The filling station will not be a functioning service station.^{viii}

- The Empire State Development Corporation also indicated that two other projects are in jeopardy of losing their EZ benefits. The redevelopment of the former Trico Products Corp. and M. Wile buildings are being reconsidered after the death of Erie, Pa., developer Stephen McGarvey two years ago. The Buffalo Niagara Medical Campus now owns the buildings.
- GEICO's regional operations center in Amherst is particularly controversial because Amherst does not fall into an Empire Zone. The deal was organized to encourage GEICO to open its business center in the area, but it is one of the most visible examples of EZ abuse.^{ix}

11. How does New York measure the success of Empire Zone businesses?

EZ officials individually evaluate businesses that receive EZ credits on the basis of a cost/benefit analysis. An Empire Zone project is evaluated on its job creation and economic development that should outweigh losses to the State in tax revenue as a result of the credits.^x

12. How do Empire Zones report to the public?

Empire Zone projects are accessible on line in the form of a spreadsheet, grouped by zone, that lists each certified Empire Zone business and the total tax credits claimed for a given year. *The Post-Standard*, a Syracuse newspaper, sued in state Supreme Court for the rights to public access of the State's EZ benefits. New York State's Department of Economic Development released the information in the form of a spreadsheet, which can be found by entering the following web address in your browser: blog.syracuse.com/news/EZTaxCreditAmounts2005.pdf.^{xi}

13. What policy issues are raised by Empire Zone Development?

The program was designed to attract and create *new* businesses in impoverished areas. Critics contend that old businesses are re-inventing themselves, or creating "new" businesses within themselves, called clean shirts, and that these businesses are sucking up valuable state dollars in the form of tax breaks. Certified Empire Zone businesses, however, argue that they are creating new jobs and boosting the economy by bringing business into the area and that they deserve the tax incentives regardless of whether they are technically "new" or not.^{xii}

Also criticized is the EZ program's benefits to business that are not located in blighted areas. One notable example is GEICO's move to Amherst instead of Buffalo. Amherst is not located within an Empire Zone, so state and local officials had to make a deal to help the company qualify for the tax benefits of another local zone.^{xiii}

Certain New York State politicians have threatened to close loopholes that provide a lot of the incentives; this created an outcry from investors and developers who have significant amounts of money tied up in projects they undertook with the expectation that these tax breaks would be available. In July 2008, Buffalo Assemblyman Mark

Schroeder proposed a bill to the State Legislature that would eliminate EZ tax breaks for expensive housing developments and other unnecessary projects. However, Schroeder withdrew his support for his own bill over concerns that it would have unintended consequences. Ultimately, Governor Paterson vetoed the bill.^{xiv}

14. Who benefits from Empire Zones?

Ideally, all State constituents – inside and outside of the zones - benefit from these tax incentives as long as jobs are created and business is either created from within the zone or attracted to the zone. Critics of the program disagree, asserting that already wealthy businesses are getting wealthier, without creating any significant amount of jobs or creating new business. Despite the fact that businesses can lose their Empire Zone certification, critics argue that few lose the certification, and, even if they do, the damage has been done- there's no payback system if a business fails to hold up its end of the bargain.

15. What has the State Comptroller recommended? ^{xv}

The State Comptroller's Report suggests that Zone Designation Board should be renamed the Empire Zone Oversight and Designation Board and that this board should be responsible for the following:

- (1) create performance standards for zone beneficiaries
- (2) implement standard review that allows state and local governments to recover money from businesses that do not meet the standards
- (3) revoke certification of businesses that do not meet these standards
- (4) document the reasons for a continued certification in the case that decertification is pursued for reasons that are beyond the business's control
- (5) clearly and unambiguously list steps that lead to decertification

16. How do I learn more about this agency?

Empire Zones and the businesses that benefit from them receive a fair amount of press. To learn more about Empire Zones, check the following websites:

- New York's Empire Zone site:
http://www.nylovesbiz.com/Tax_and_Financial_Incentives/Empire_Zones
- Trudi Renwick's Fiscal Policy PowerPoint:
www.fiscalpolicy.org/publications2007/Renwick_NewYorksEmpireZoneProgramSept07.pdf
- State Comptroller's Report: Assessing the Empire Zones Program, Reforms Needed to Improve...
www.osc.state.ny.us/reports/empirezone3-2005.pdf
- Empire Zone Application:
www.nylovesbiz.com/pdf/ZoneApplication.pdf
- Empire Zone Businesses' Tax Breaks:
blog.syracuse.com/news/EZTaxCreditAmounts2005.pdf

ⁱ New York's Empire Zone Site, http://www.nylovesbiz.com/Tax_and_Financial_Incentives/Empire_Zones

ⁱⁱ State Comptroller's Report, p. 5, www.osc.state.ny.us/reports/empirezone3-2005.pdf

ⁱⁱⁱ Zone Application, p. 7, www.nylovesbiz.com/pdf/ZoneApplication.pdf

^{iv} Trudi Renwick's Fiscal Policy,

www.fiscalpolicy.org/publications2007/Renwick_NewYorksEmpireZoneProgramSept07.pdf

^v New York's Empire Zone site,

http://www.nylovesbiz.com/Tax_and_Financial_Incentives/Empire_Zones/default.asp

^{vi} New York's Empire Zone site,

http://www.nylovesbiz.com/Tax_and_Financial_Incentives/Empire_Zones/default.asp

^{vii} Business First, August 15, 2008.

^{viii} Business First, April 9, 2008.

^{ix} Business First, April 9, 2008.

^x New York's Empire Zone site,

http://www.nylovesbiz.com/Tax_and_Financial_Incentives/Empire_Zones/default.asp

^{xi} Empire Zone Businesses' Tax Breaks, blog.syracuse.com/news/EZTaxCreditAmounts2005.pdf

^{xii} State Comptroller's Report, www.osc.state.ny.us/reports/empirezone3-2005.pdf

^{xiii} *New York Times*, March 21, 2004.

^{xiv} *The Buffalo News*, July 23, 2008.

^{xv} State Comptroller's Report, www.osc.state.ny.us/reports/empirezone3-2005.pdf