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## Tax incentives common

### Abatements often used as tool for economic development

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*Editor's Note: This is the second of a two-part series exploring local economic development efficiency and the effort it takes to bring new manufacturers to town.*

Huntington may be making progress in terms of gaining and expanding

manufacturing, but that often relies on incentives offered by the government.

One of the most popular incentives given to industries for economic development is tax abatements.

Tax abatements phase in new property taxes that could come from getting new equipment or expanding a company,

Mark Wickersham, executive director of Huntington County United Economic Development, said. The company will still pay property taxes on the building or equipment, but it won't be as much to start out and the industry will gradually pay more each year of the abatement.

An abatement only works if the company makes an investment, he said.

"Every year, the company is required to file a CF-1 (compliance form)

to stay in compliance with that original SB-1 (tax abatement). If they fail to submit a CF-1, their tax abatement's over," Wickersham explained.

Twelve of 15 companies who have received tax abatements since 2013 are up-to-date on their CF-1 forms, according to 2013 information.

Of the three that did not file in 2013, 1000 East Market Street LLC hasn't filed since 2011, Bryan Machine Services hasn't

filed since 2009 and Fogwell Manufacturing hasn't filed since 2010, according to the CF-1 forms.

"At this point, their abatement should be gone," Wickersham said.

As a result, Wickersham added, the abatement has ceased and the companies are paying property taxes at full levels.

Tax abatements can also help companies that wish to expand.

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One such instance is Gerdau, which received an abatement in 2011 as part of a \$27 million expansion that will add 20 jobs to the current 46. In June, the company announced the expansion was almost complete and a search for new employees was already underway.

The expansion increased the facility's manufacturing capacity from 62,000 tons of steel a year to 80,000 tons of steel. The steel is used in the automotive industry.

The company also received state tax incentives, according to a press release from the manufacturer.

"It was very important because it's helped us to be able to add this additional capacity to ultimately hire more Huntington residents," Lindsey Edwards, external communications specialist for Gerdau, said. "So, it's been really helpful."

In a follow-up email, she elaborated that while the

Huntington facility was a good fit for the expansion, the tax incentives "helped make this project a reality."

However, it can also be somewhat detrimental, as another company, Unilever, closed its Huntington Good Humor-Breyers facility at the end of July.

In 2013, Good-Humor Breyers filed CF-1 forms on 20 tax abatements given to them between 2000 and 2010.

When Unilever made the announcement, Wickersham said the company will continue to pay taxes on the building as long as it owns it.

When a compliance form is filed, it is sent before the Economic Development Commission, which decides whether or not to recommend the Huntington City Common Council approve the compliance form.

"The EDC is at liberty to ask themselves the following question: 'What kind of an effort did the company make to create

the jobs?'" Wickersham said, adding they also need to look at the estimated completion date. "What do you do if the company has come close but didn't quite make it and what are the options?"

With the company still paying taxes and doing good things in the community, the EDC can say the company has done enough to achieve the goal to recommend the council accept the compliance, he added.

"If they're still here and it's obvious that they are doing the best they can, then you have to ask yourself, what's the alternative if we get hardnosed and say you fell short, tough?" he said. "If being rigid on that question...if that puts people out of a job then what did we gain?"

Another aspect to look at, that may be difficult to see, is the expansion and what will happen if the company chooses not to invest in Huntington. Some companies may leave a city, such as Huntington, to go where they

can expand. This will lose the entire tax base and jobs of what they have.

"If they can't get the expansion, they'll take what they have and leave to go wherever they can continue to grow," Wickersham said. "So, sometimes these numbers aren't really apples and apples."