



Location ▲ Workforce ▲ Value

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Huntington City Council Unanimously Waives Tax Abatement Filing Fees for 2011

HUNTINGTON, INDIANA

The Common Council for the City of Huntington voted 7-0 yesterday to continue, for the third consecutive year, waiving filing fees for tax abatement requests.

Tax abatement is an economic development incentive, first created in Indiana by the Indiana General Assembly in 1977, which allows Communities to “phase-in” the new property tax liabilities associated with significant investments by employers in order to create job opportunities either through expansion or retention of existing employees and maintain competitive positions in the marketplace.

If tax abatement is approved for an eligible investment, the employer still pays property taxes on the investment, however, the percentage of the liability is phased-in over a period of time rather than requiring 100% of the liability to be effective from the first day the asset is deployed in the company. The employer pays incrementally more each year, generally increasing by 10% more each year until the asset is 100% taxable, rather than being hit with a major tax bill when they can least afford it – immediately after having just spent their money for the building improvements or manufacturing equipment needed to create jobs.

The Municipality, with the exception of year one of an abatement, still receives new tax revenue, however, not as quickly as would be the case if the private asset would have been 100% taxable from the beginning. A potential risk for the Community however, is that should abatement not be available, the employer may not be in a position to finance the investment resulting in no gain (and potentially a loss) to the Municipal tax base due to the inability to create or retain jobs. From the employer’s perspective, tax abatement may be the determining factor for where and when to make investments or even moving their facility to another location in order to be successful.

Nationally, tax abatement in recent years has become more of an expectation rather than an economic development incentive for job creation opportunities. “There is a strong argument to be made that tax abatement is needed because property taxes are too high, not that Communities are attempting to be pro-growth by offering the incentive,” said Mark Wickersham, Executive Director of Huntington County Economic Development. “Employers appreciate the benefit of tax abatement, but my guess is that most would be more than happy to forego tax abatement if taxes weren’t a burden to begin with. If we could find a way to lower property tax rates to the ‘effective rate’ after abatement to start with, I doubt that tax abatement would be a discussion of any kind,” he added.



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The City of Huntington created the current filing fee schedule in 1984 ostensibly to help offset administrative costs. Filing fees were required to simply ask the City to consider abating property tax liabilities on major investments needed to create jobs in Huntington. The fees were collected regardless of whether the abatement requests were actually granted. The filing fee structure was tiered as follows:

Value of Investment	Filing Fee
\$0 to \$75,000.00	\$150.00
\$75,001.00 to \$500,000.00	\$300.00
\$500,001.00 and over	\$500.00

“The reaction to the waiver from local employers has been very positive. In the past the fees were viewed as ‘annoying’ and simply anti-growth. This was especially true for employers which needed the check for the fee payment to be approved by an out of town divisional or headquarters location,” Wickersham said. He added, “\$3,800 is the largest amount of revenue the City received from the fee structure over the past few years prior to granting the waivers. During 2010, coming off the highest unemployment rates in memory in Huntington, the City would have collected \$1,000 from the employers who worked via Huntington County Economic Development through the fee process had the City not had the waiver in place.

“We’re not discussing large sums of money from the perspective of the Municipal budget. In addition, the City employees who process the abatement requests are full-time employees with other responsibilities and the time consumed by processing abatement requests does not place a financial or work-load hardship on the City. The employers I’ve assisted via Huntington County Economic Development during 2010, committed to investing \$34,149,000.00 in our Community and pledged to create 444 new jobs in the process. I believe that if waiving a cumulative total of \$1,000.00 in fees is an encouragement to our local employers, it is a small price to pay under the circumstances in order to be supportive of job growth,” Wickersham concluded.

City Councilman Jason Fields introduced the motion to grant the waiver for 2011 and multiple Council Members simultaneously seconded the motion, which passed unanimously.

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