

# **Indiana Legislative Services Agency**

## **Fiscal Issue Brief**

June 15, 2005

### **Indiana's Enterprise Zones**

#### **Introduction**

Over the past several decades as state and local governments have become more active in promoting economic development, Enterprise Zones (EZs) have become a common tool of state and local economic development policy. In most states, EZs have been used to provide incentives for businesses to locate or expand in distressed and blighted areas. Many EZ programs encompass traditional downtown areas or old industrial and manufacturing areas that have gone through a protracted period of decline. Typically, EZ incentives consist of tax instruments, such as property tax abatements, income tax deductions and credits for employment creation, capital investment, and income creation in the EZs.

Pulsipher (2005) reports that 43 states currently operate EZ programs comprising approximately 3,000 EZs. The state EZ totals range from a low of one EZ in New Mexico to about 1,700 EZs in Louisiana. However, most state EZ programs comprise less than 50 EZs.<sup>1</sup> Even though EZs are quite common, little information is readily available as to: (1) the socioeconomic conditions in EZs; (2) the types of businesses that are located in EZs; and (3) the employment and wage levels characterizing EZ businesses. To fill this void, this issue brief provides information on the structure the EZ Program in Indiana and basic business, demographic, and socioeconomic statistics for Indiana's 28 EZs, with comparisons to statewide totals.

The data we utilize for statistical comparisons comes from two sources: (1) the *Quarterly Census of Employment and Wages* (formerly known as ES 202 data) for the July-September 2002 period; and (2) *Census 2000, Summary File 1 and Summary File 3*, demographic and socioeconomic response data. This information was compiled during 2003 and 2004 as part of the EZ Fiscal Impact Project to construct a comprehensive EZ business activity database that could be utilized to estimate the fiscal impact of proposed incentives for the Indiana EZ Program. This project was principally conducted by the Indiana Legislative Services Agency (LSA), with the assistance of the Indiana Department of Commerce (IDOC), the Indiana Business Research Center (IBRC), researchers from the Department of Agricultural Economics at Purdue University, and the Urban Enterprise Associations (UEAs). In order to identify businesses located in EZs, LSA fiscal analysts first generated GIS maps for each of the EZs operating in Indiana in 2003 using physical maps and legal boundary descriptions of the EZs provided by the IDOC. Employer data from the *Quarterly Census of Employment and Wages* were then geocoded by matching employer addresses in this database with EZ addresses identified through the GIS maps. In addition, *Census 2000* geography identified for each of the EZs via the GIS maps was utilized by the IBRC to generate various demographic and socioeconomic measures for each of the EZs.

This issue brief is organized as follows. The next section provides an overview of the administrative structure, incentives available to EZ businesses, and sources of funding. The next section discusses demographic and socioeconomic conditions followed by a discussion of the characteristics of EZ businesses. The final section offers a summary and conclusions.

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<sup>1</sup> Pulsipher, Ian. (May 6, 2005). *Evaluating Enterprise Zones*. Retrieved May 15, 2005, from National Conference of State Legislatures Web site: <http://www.ncsl.org/programs/econ/evalentzones.htm>.



The Indiana Economic Development Corporation (IEDC) administers the EZ Program and oversees the operation of the EZs in the state.<sup>3</sup> The IEDC Board has the power to review and approve applications for proposed EZs, renew existing EZs, and monitor EZ operations and incentive use. EZs are designated based on demographic, socioeconomic, and geographic size criteria. The initial designation period is 10 years, with EZs eligible for two 5-year renewals based on performance reviews by the IEDC Board. In addition, EZs which have operated for a full 20-year period may be redesignated the IEDC Board for a new term with an initial 10-year designation period.<sup>4</sup> The IEDC Board is authorized to designate two new municipal EZs each year until December 31, 2015. Table 1 lists Indiana EZs and the year of initial designation.

**Table 1: Enterprise Zone Locations and Designation Dates**

<b>Municipal EZs</b>	<b>Designation Date</b>
Bedford	1993
Bloomington	1992
Connersville	1995
East Chicago	1989
Elkhart	1999
Evansville <sup>a</sup>	1984
Fort Wayne <sup>a</sup>	1984
Frankfort	2003
Gary	1985
Hammond	1985
Indianapolis	1990
Jeffersonville	2000
Kokomo	1990
LaPorte	2002
Lafayette	1993
Marion	1992
Michigan City <sup>a</sup>	1984
Mitchell	2001
New Albany	2000
Portage	2001
Richmond <sup>a</sup>	1984
Salem	2003
South Bend <sup>a</sup>	1984
Terre Haute	1994
Vincennes	2002
<b>Military Base EZs</b>	<b>Designation Date</b>
Fort Benjamin Harrison	1997
Grissom Aeroplex	1996
Indiana Army Ammunition Plant (Clark Co.)	1998

<sup>a</sup>Redesignated in 2004.

Source: Indiana Department of Commerce, Indiana Enterprise Zone Handbook, June 2003.

### **Enterprise Zone Incentives**

Historically, five tax incentives served as recruitment tools for the EZs: (1) the Inventory Tax Credit; (2) the Gross Income Tax Exemption; (3) the Investment Cost Credit; (4) the Employment Expense Credit; and (5) the Loan Interest Credit. The Gross Income Tax Exemption no longer exists, as the Gross Income

<sup>3</sup> Until 2005, oversight of the EZ Program was performed by the 20-member Enterprise Zone Board assisted by staff of the Indiana Department of Commerce.

<sup>4</sup> In 2004, EZs in Evansville, Ft. Wayne, Michigan City, Richmond, and South Bend were redesignated after completing a 20-year term.

Tax was repealed in 2003. The Employment Expense Credit and the Loan Interest Credit are applicable to three state taxes: the Income Tax, the Financial Institutions Tax, and the Insurance Premiums Tax. The Investment Cost Credit, however, is applicable to the state Income Tax only. Additionally, a new Property Tax Investment Deduction was enacted during the 2005 legislative session and goes into effect on July 1, 2005. These tax incentives are described below.

**Inventory Tax Credit:** This credit eliminates the property tax on wholesale or retail merchandise being held for resale as well as finished goods maintained by a business in an EZ. Before 2004, the credit also eliminated property tax on work-in-process and raw materials incorporated in finished goods for shipment out of state. Such inventory was exempted from property tax statewide beginning in 2004. More importantly, the credit will be inoperative beginning in 2007 once the Inventory Tax is eliminated statewide through the 100% inventory deduction.

**Investment Cost Credit:** This is a state tax credit for equity investment in an EZ business. The credit is equal to a maximum of 30% of the price of the ownership interest purchased by the taxpayer. The allowable credit percentage up to 30% varies depending upon the type of investment, the type of business, and the number of jobs created by the investment.

**Employment Expense Credit:** This is a state tax credit for incremental wages paid by an EZ business to employees who are EZ residents. At least 90% of the employee's services must be directly related to the EZ business, and at least 50% of the employee's time must be spent working at the EZ business. The credit is equal to 10% of the additional wages paid to a qualified employee during the year up to a maximum of \$1,500.

**Loan Interest Credit:** This is a state tax credit for interest income earned by a taxpayer from a loan that directly benefits an EZ business, increases EZ property values, or is used to rehabilitate, repair, or improve an EZ residence. The credit is equal to 5% of the loan interest received during the year.

**Property Tax Investment Deduction:** This is a property tax deduction for the increased value of an EZ business property due to real and personal property investment by the business. The added valuation may be deducted for up to 10 years. Qualified investment at an EZ location includes: (1) purchase of a building, new manufacturing or production equipment, or new computers and related office equipment; (2) costs associated with the repair, rehabilitation, or modernization of an existing building and related improvements; (3) onsite infrastructure improvements; (4) construction of a new building; and (5) costs associated with retooling existing machinery.

### **Enterprise Zone Administration and Funding**

At the state level, the IEDC oversees the EZ program. However, the day-to-day operation of each EZ is managed by a local nonprofit entity called an Urban Enterprise Association (UEA). Businesses receiving EZ tax incentives must pay a fee to the state to participate in the EZ program. The EZ business registration fee is imposed annually on each business that obtains EZ tax incentives in excess of \$1,000 during the year. The business registration fee is equal to 1% of the incentives received during the year.

In addition, each business that obtains EZ tax incentives must contribute funds to the local UEA to offset its operating costs. The contribution amount must be approved by the city council of the municipality where the EZ is located. An incentive recipient that fails to make such a contribution is disqualified from the EZ program. The contribution has been implemented by all but two of the UEAs through a business participation fee equal to a percentage of the incentives received by the participating business during the year. Thus, the tax incentives serve as both a business recruitment tool and the source of funding for the UEAs. The participation fee imposed by UEAs around the state ranges from a low of 20% to a high of 49%. The local UEAs use these fees to fund UEA staff and community and economic development programs. Table 2 lists the business participation fee imposed by each UEA.

**Table 2: Enterprise Zone Participation Fees**

<b>Municipal EZs</b>	<b>Participation Fee</b>
Bedford	24%
Bloomington	20%
Connersville	25%
East Chicago	25%
Elkhart	25%
Evansville	25%
Fort Wayne	20%
Frankfort	25%
Gary	30%
Hammond	25%
Indianapolis	20%
Jeffersonville	49%
Kokomo	25%
LaPorte	35%
Lafayette	35%
Marion	35%
Michigan City	20%
Mitchell	30%
New Albany	48%
Portage	25%
Richmond	25%
Salem	Not established
South Bend	25%
Terre Haute	24%
Vincennes	24%
<b>Military Base EZs</b>	<b>Participation Fee</b>
Fort Benjamin Harrison	Not established
Grissom Aeroplex	20%
Indiana Army Ammunition Plant (Clark Co.)	49%

Source: Indiana Department of Commerce, Indiana Enterprise Zone Handbook, June 2003.

Table 3 reports annual savings from tax incentives as reported to the IDOC by businesses receiving EZ tax incentives. The table also reports annual totals for the business registration fee and the participation fee. Since 1995, the reported savings from the Inventory Tax Credit averaged about \$35.9 million per year. The next closest incentive during the same period was the Gross Income Tax Exemption with annual savings averaging only about \$1.3 million. During this period, the Inventory Tax Credit accounted for about 92% of incentive dollars and thereby the participation fees paid to the UEAs. As a result, it was the primary source of funding for UEAs. In 2002 (the most recent year available), the Inventory Tax Credit totaling about \$34.8 million generated 89.7% of the incentive savings. Likewise, since 1995, business registration fees paid to the state have averaged about \$373,000 annually, and participation fees paid to the UEAs have averaged about \$7.7 million annually. In 2002, registration fees and participation fees totaled about \$487,000 and \$9.1 million, respectively.

**Table 3: Incentive Savings, EZ Business Registration Fees, and EZ Business Participation Fees<sup>a</sup>**

Year	Inventory Tax Credit	Gross Income Tax Exemption	Employment Expense Credit
1995	\$42,654,659	\$1,297,915	\$898,200
1996	\$28,588,356	\$1,178,927	\$739,842
1997	\$37,568,042	\$1,042,632	\$829,977
1998	\$35,468,381	\$1,177,453	\$628,743
1999	\$32,912,218	\$1,174,444	\$638,185
2000	\$39,504,435	\$1,155,607	\$827,998
2001	N/A	\$1,120,360	\$709,336
2002	\$34,772,526	\$1,891,614	\$783,855

  

Year	Loan Interest Credit	Registration Fees <sup>b</sup>	Participation Fees
1995	\$1,297,345	\$326,507	\$6,485,367
1996	\$664,105	\$305,886	\$6,055,162
1997	\$958,072	\$413,442	\$7,505,983
1998	\$769,758	\$359,246	\$8,233,816
1999	\$130	\$345,675	\$8,766,965
2000	\$1,398,076	N/A	N/A
2001	\$828,869	N/A	N/A
2002	\$1,749,923	\$487,255	\$9,103,253

N/A = data not available.

<sup>a</sup>Annual data on the Investment Cost Credit was not available.

<sup>b</sup>EZ Business Registration Fee totals are as reported by Indiana Department of Commerce to the Enterprise Zone Study Commission, September 1, 2004.

Source: Indiana Department of Commerce, Enterprise Zone Business Registration (EZB-R) forms.

### **Demographic and Socioeconomic Characteristics of EZ Residents**

While EZs met certain criteria to be classified as such, little information is available to quantify the extent of economic distress in the EZs relative to other areas. The *Census 2000* demographic and socioeconomic characteristics of EZ residents reported in Table 4 confirm that EZs are being located in economically distressed and blighted areas. Almost 200,000 people, or about 3.3% of Indiana's population, reside in the 28 EZs, with household units in the EZs (about 78,000) representing a similar share of the state total. The proportion of family units in the EZs is lower, with almost 45,000 families representing only about 2.8% of the state total. Racial and ethnic minorities comprise a much higher proportion of the EZ population than of the statewide population. Blacks comprise 22.5% of the EZ population (almost triple the statewide share), and Hispanic persons comprise 11.1% of the EZ population (more than tripling the statewide share). The composition of families in EZs is also quite different than the statewide composition of families. The share of EZ families containing married couples (32.4%) is almost 40% below the statewide share (53.6%), and the percentage of single mothers in EZ families (12.5%) is almost twice as high as the statewide percentage (6.9%).

Housing, labor force, and poverty measures provide further evidence that the EZs have been established in areas the program was intended to serve. The poverty status and unemployment measures for EZ residents also diverge substantially from the state norms. While 9.5% of persons statewide live below the federal poverty level, the share of EZ residents living in poverty is 2.5 times higher, at 23.8%. Though about 3.3% of the state population resides in the 28 EZs, almost 6.8% of the statewide population living below the federal poverty level resides in EZs. Likewise, the unemployment rate for EZ residents (10.3%) is more than twice the statewide rate (4.9%). Further, the unemployed in the EZs represent about 5.2% of the statewide unemployed. Compared to the population and household unit representation of EZs, only about 2.1% of the owner-occupied housing in Indiana is located in EZs. What's more, the portion of

owner-occupied housing in EZs (45.3%) is about 60% less than the statewide share (71.4%), suggesting a much higher potential for blight.

**Table 4: Demographic and Socioeconomic Characteristics of Indiana and Indiana EZs**

<b>Characteristic</b>	<b>EZs</b>	<b>Indiana</b>
<b>Population</b>		
Total Population	199,521	6,080,485
% White Alone, Not Hispanic	63.5%	87.5%
% Black Alone	22.5%	8.4%
% Hispanic (of any race)	11.1%	3.5%
% 18 to 64	61.5%	61.7%
<b>Households</b>		
Total Households	78,496	2,336,306
Average Household Size	2.42	2.53
Family Households	44,757	1,602,501
Average Family Size	3.16	3.05
% Married Couples	32.4%	53.6%
% Single Mothers	12.5%	6.9%
<b>Housing</b>		
Total Housing Units	90,432	2,532,319
Occupied Housing Units	78,496	2,336,306
% Occupied	86.8%	92.3%
Owner Occupied	35,548	1,669,162
% Owner Occupied	45.3%	71.4%
<b>Labor Force</b>		
Civilian Labor Force	77,081	3,117,897
Unemployed	7,966	152,753
Rate	10.3%	4.9%
<b>Education</b>		
Population 25 and Older	98,352	3,893,278
% w/High School Diploma Only	36.6%	37.2%
% w/Some College or More	30.5%	44.9%
<b>Poverty Status</b>		
Persons Living Below Poverty	37,956	559,484
% Persons Living Below Poverty	23.8%	9.5%

Source: U.S. Census Bureau, Census 2000, Summary File 1 and Summary File 3.

### **Enterprise Zone Business Characteristics**

Indiana's 28 EZs contain almost 6,400 businesses in five industry sectors.<sup>5</sup> This comprises about 4.3% of the statewide total number of businesses in these five industry categories. Table 5 reports the industry sector distribution of EZ businesses and of businesses statewide. As is the case with the statewide distribution, the EZs contain heavy concentrations of service and trade businesses. The service and trade sectors account for about 80% of the EZ business total. Nevertheless, service and trade businesses account for a slightly lower share of EZ businesses than is the case statewide. The deviation between the

<sup>5</sup> The establishment totals exclude government and nonprofit entities. The construction industry category and the manufacturing industry category are each 2-digit NAICS industry sectors, while the trade industry category combines the 2-digit NAICS retail trade and wholesale trade industry sectors. The agriculture and mining industry category combines the 2-digit agriculture, forestry, fishing, and hunting NAICS industry sector with the 2-digit mining NAICS industry sector. The service industry category combines 13 2-digit NAICS industry sectors: (1) utilities; (2) transportation and warehousing; (3) information; (4) finance and insurance; (5) real estate and rental and leasing; (6) professional, scientific, and technical services; (7) management of companies and enterprises; (8) administrative and support and waste management and remediation services; (9) educational services (for-profit only); (10) health care and social assistance (for-profit only); (11) arts, entertainment, and recreation (for-profit only); (12) accommodation and food services; and (13) other services (except public administration).

EZ and statewide business distributions arises in the construction and manufacturing industries. The EZs have a heavier concentration of manufacturing businesses with a 10.6% share than is true for businesses statewide where the manufacturing share is only about 6.5%. More notable is that EZ manufacturing businesses (673 establishments) account for almost 7% of the statewide total manufacturing businesses (9,710 establishments). In contrast, construction is less concentrated in EZs at about 8.2% compared to a statewide share of about 11.5%. This discrepancy makes sense because the EZs tend to be concentrated in older industrial/manufacturing areas of cities, such as East Chicago, Elkhart, Evansville, Ft. Wayne, Hammond, Indianapolis, and South Bend. The high incidence of manufacturing and trade businesses in the EZs (presumably with large amounts of raw materials, unfinished and work-in-process goods, and inventory held for resale) likely explains the comparatively high utilization of the Inventory Tax Credit.

**Table 5: Indiana and EZ Businesses by Industry Sector**

<b>Industry</b>	<b>EZ Businesses</b>		<b>Indiana Businesses</b>	
Agriculture & Mining	7	0.11%	1,598	1.07%
Construction	521	8.17%	17,098	11.48%
Manufacturing	673	10.55%	9,710	6.52%
Service	3,622	56.80%	85,907	57.66%
Trade	1,554	24.37%	34,664	23.27%
<b>Total</b>	<b>6,377</b>		<b>148,977</b>	

Source: U.S. Department of Labor, Quarterly Census of Employment and Wages, July-September 2002.

The conceptual basis and practical application of EZ programs has typically centered on the redevelopment of economically distressed and blighted urban areas. However, nine of Indiana's EZs are situated in more rural settings. Table 6 compares the industry sector distribution of businesses in rural EZs to those in urban EZs. To delineate these EZs, we use the U.S. Census definition for an urbanized area.<sup>6</sup> The rural area EZs are not located within an urbanized area. These EZs are located in the municipalities of Bedford, Connersville, Frankfort, Marion, Mitchell, Richmond, Salem, and Vincennes, and on Grissom AFB. A total of 1,422 businesses are located in the rural area EZs. This accounts for about 29% of the total for all EZs. The rural area EZs are more heavily weighted in service and trade businesses. The service and trade sectors account for almost 87% of the rural area EZ businesses. This is about 8 to 9 percentage points higher than both the statewide and urban area EZ service and trade sector shares. In contrast, the rural area EZs exhibit construction and manufacturing shares that are roughly 3 to 4 percentage points lower than in the urban area EZs. Interestingly, the agriculture and mining industry shares for rural area and urban area EZs are essentially the same.

**Table 6: Urban and Rural EZ Businesses by Industry Sector**

<b>Industry</b>	<b>Rural EZ Businesses</b>		<b>Urban EZ Businesses</b>	
Agriculture & Mining	2	0.14%	5	0.10%
Construction	85	5.98%	436	8.80%
Manufacturing	107	7.52%	566	11.42%
Service	844	59.35%	2,778	56.06%
Trade	384	27.00%	1,170	23.61%
<b>Total</b>	<b>1,422</b>		<b>4,955</b>	

Source: U.S. Department of Labor, Quarterly Census of Employment and Wages, July-September 2002.

<sup>6</sup> An urbanized area consists of a large central place and adjacent densely settled territory that together have a population of at least 50,000.

Total business employment in Indiana's 28 EZs is almost 135,000, or about 3.6% of the statewide total of about 3.7 million.<sup>7</sup> Table 7 reports employment and wage measures for EZ businesses and businesses statewide. The firm-level employment measures suggest that the average EZ business is somewhat smaller in terms of employment than businesses generally in Indiana. However, the mean, median, and quartile measures suggest that EZ businesses are not markedly different than Indiana businesses generally in terms of their employment scale. The range for businesses is not reported in order to maintain confidentiality of business return data contained in the *Quarterly Census of Employment and Wages*. An interesting facet of the firm-level employment statistics is, however, the extent to which mean employment is positively skewed. It is quite clear that reliance on the mean would provide a rather distorted view of the employment levels achieved by the typical EZ business (or, for that matter, for businesses statewide). Actually, 50% of the EZ businesses employ fewer than 6 people and 75% employ fewer than 15 people. This distribution mirrors the distribution of business employment statewide and suggests that the majority of EZ businesses are rather small-scale businesses. Thus, local UEAs must be acutely aware that much of their clientele does not have large numbers of administrative, accounting, and financial support personnel to facilitate application and reporting processes that tend to accompany economic development incentive programs. The more effective incentive programs may be those that minimize or simplify paperwork and reporting requirements and rely less on offsetting net income tax liabilities.

**Table 7: Employment and Wage Levels of Indiana and EZ Businesses**

	<b>EZ Businesses</b>	<b>Indiana Businesses</b>
<b>Total Employment</b>	134,915	3,709,790
<b>Firm-Level Employment</b>		
Mean	21.2	25.0
1st Quartile	2.0	1.0
Median	6.0	5.0
3rd Quartile	15.0	13.0
<b>Total Wages</b>	\$4,731,048,692	\$119,156,349,324
<b>Firm-Level Wage</b>		
Mean	\$24,685	\$29,402
1st Quartile	\$10,880	\$13,006
Median	\$20,391	\$22,466
3rd Quartile	\$31,273	\$35,286

Source: U.S. Department of Labor, Quarterly Census of Employment and Wages, July-September 2002.

Annual wages earned by employees of EZ businesses total about \$4.7 billion, accounting for about 4% of the statewide total of approximately \$119.2 billion. The firm-level measures suggest that the average EZ business pays about 16% less than businesses statewide – an average of \$24,685 in EZs to \$29,402 statewide. The firm-level wage measures also reveal a positive skew to wages overall and for EZ businesses, albeit less pronounced for EZ businesses. The median and quartile measures are, again, informative. While EZ businesses, on average, pay just under \$25,000, the other measures indicate that half of the firms pay wages, on average, of less than \$20,391. For every wage measure, the EZ wage is less than the statewide wage by anywhere from about 9% on the median to about 16% on the mean.

The dominant industry sectors for employment in Indiana's EZs are, by far, the manufacturing and service sectors. Table 8 reports employment and wage measures by industry sector for Indiana's 28 EZs. The manufacturing sector accounts for almost 55,500 EZ jobs, or about 41% of total employment in the EZs. The service sector accounts for 50,000 EZ jobs, 37% of the EZ total. Firm-level employment for EZ businesses does not vary markedly among the industry sectors except for the manufacturing sector. On average, EZ businesses in the agriculture and mining, construction, service, and trade sectors employ

<sup>7</sup> Government and nonprofit organizations are excluded from the employment and wage totals.

fewer than 20 people. Conversely, the manufacturing employment measures indicate the presence of some large-scale production facilities which result in the mean firm-level employment of 82 employees and the top 25% of manufacturers having in excess of 44 employees. The manufacturing totals also reveal that there is a sizeable number of surprisingly small manufacturing establishments in the state, with 50% having fewer than 16 employees.

The wage measures are also instructive. Employees of EZ manufacturing firms earn far better salaries, over the entire wage distribution, than is generally the case in the other industry sectors. However, at the top end of the wage distribution, construction does appear to fall more into line with manufacturing wages. The measures also highlight the much lower wage structures present in the service and trade sectors. Seventy-five percent of service and trade sector businesses in the EZs have a firm-level average wage of less than \$18,500. At the same time, 75% of manufacturers in the EZs have a firm-level wage exceeding \$20,000; and 75% of construction businesses have a firm-level wage exceeding \$17,000.

**Table 8: Employment and Wage Levels of EZ Businesses by Industry Sector**

	<b>Agriculture &amp; Mining</b>	<b>Construction</b>	<b>Manufacturing</b>	<b>Service</b>	<b>Trade</b>
<b>Total Employment</b>	79	9,300	55,455	50,000	20,081
<b>Firm-Level Employment</b>					
Mean	11.3	17.9	82.4	13.8	12.9
1st Quartile	4.0	3.0	5.0	2.0	3.0
Median	7.0	8.0	16.0	5.0	6.0
3rd Quartile	15.0	18.0	44.0	12.0	13.0
<b>Total Wages</b>	\$2,554,652	\$378,345,388	\$2,580,036,648	\$1,266,236,184	\$503,875,820
<b>Firm-Level Wage</b>					
Mean	\$39,389	\$27,687	\$30,818	\$24,031	\$22,477
1st Quartile	\$24,872	\$17,011	\$20,669	\$9,600	\$11,160
Median	\$29,469	\$26,810	\$29,487	\$18,200	\$18,501
3rd Quartile	\$35,025	\$36,000	\$38,135	\$29,236	\$28,894

Source: U.S. Department of Labor, Quarterly Census of Employment and Wages, July-September 2002.

## **Conclusions**

This analysis provides additional information on three issues regarding Indiana's EZs: (1) the magnitude of the tax incentives taken by EZ businesses and fees paid to UEAs; (2) the demographic and socioeconomic conditions of EZ residents; and (3) the industry and employment characteristics of EZ businesses. Over the 1995 to 2002 period, the average incentive savings from the credits and exemptions available to EZ businesses was \$38.9 million. The average registration fee paid to the state and participation fee paid to the local UEA was \$373,000 and \$7.7 million, respectively. An EZ resident is substantially more likely to be a racial or ethnic minority, live in a household headed by a single female, rent, be unemployed, and live in a household with income below the poverty level than a resident of the state as a whole. EZ businesses also are more concentrated in the manufacturing and trade sectors than is the case statewide. The average level of employment and average wages in EZ businesses are lower than those of the state as a whole. Among EZ businesses, the manufacturing sector employs the most workers, followed by the service sector. Also, the agriculture and mining sector (albeit accounting for a very small share of EZ employment) has the highest average wage level followed by the manufacturing and construction sectors.

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