



SOME STATES PROVIDE PREFERENTIAL TAX INCENTIVES FOR NEW INVESTMENT IN LAGGING RURAL COUNTIES

The problem of lagging economic performance in rural areas is not unique to Virginia. Neighboring states like North Carolina and South Carolina have tried to address the problem by providing special tax breaks to rural counties with chronic economic troubles.

- The North Carolina Plan (The William S. Lee Quality of Jobs and Business Expansion Act) establishes five tiers of counties based on a 36-month moving average of unemployment rates, personal income growth, and population growth.
- In the most depressed counties, a job creation credit of \$12,500 is offered for new investments creating a minimum of five jobs. The credits are taken in equal installments over four years.
- In the most depressed counties when a minimum of five new jobs are created, a \$1 million investment tax credit for machinery and equipment and a Worker Training Tax Credit worth as much as \$1,000 per worker is also available.
- The South Carolina Rural Development Act groups counties into four tiers based on a 36-month moving average of per capita income and unemployment.
- A State Income Tax Moratorium for 10 years was instituted in counties where unemployment is twice the state average and when 100 or more new jobs are created and for 15 years when 200 or more new jobs are created.
- In the most depressed counties, a jobs-tax credit of \$4500 is also available when a minimum of 10 new jobs are created. The credits can be carried forward 15 years and are limited only by a cap of 50 percent of the company's total state income tax liability.
- The state will provide a \$500 match for retraining production employees when retraining occurs in the state technical education colleges. The total amount cannot exceed \$2,000 over five years for any one firm.
- South Carolina also provides a variety of other incentives with conditions that the jobs must provide benefit packages. To qualify for these incentives, a benefit-cost analysis must show that the proposed project would bring in more revenue than is given up.

An alternative approach is the Enterprise Zones program in Virginia. No research evidence shows these programs are successful. But because other states have such programs, rural Virginia must also have them to compete.