

News & Views: Economic Development

An Informational Resource

Hot Growth States



The states with the most significant new business projects and expansions in 2010 were Texas, Ohio and Louisiana, in that order, according to Site Selection Magazine. This marks a significant improvement for Louisiana which had been ranked 27th in 2008 and 15th in 2009.

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States to Businesses: “Check us Out!”

As states and cities struggle to restore their economic health, the competition among states to foster business startups, grow existing businesses and encourage business relocation has probably never been greater. Witness what is happening in Arizona. The governor recently signed an historic economic development package that has been hailed as a once-in-generation effort to attract and keep good jobs. It expands Arizona’s economic development toolbox to help the state rebound from the Great Recession and recoup almost 300,000 jobs.

Arizona’s Economic Development Tool: Tax Reform

Corporate income tax rates in Arizona are being reduced from nearly 7 percent to less than 5 percent over four years beginning in tax year 2014. The goal is to have the second-



lowest rate both regionally and nationally among states that impose a tax on corporate profits.

Commercial and industrial property assessment ratios will be reduced from 20 percent to 18 percent over four years beginning in tax year 2013. The goal is to make business property taxes comparable to residential property taxes.

Tax penalties for companies that manufacture items in Arizona when their products are sold outside the state’s borders are being removed. The legislation lets companies elimi-

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Jobs, Jobs, Jobs: Development Directors

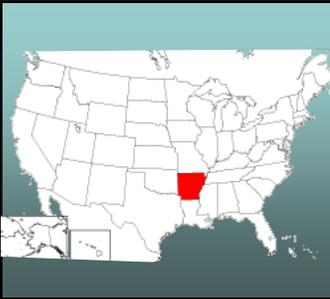
Based on what is happening in Arizona and just about every state, there may not be a hotter job opening in the country than that of economic development director. And, within the states, thousands of cities are also scrambling to become more business friendly so they can attract jobs for their residents.

Gulfport, Mississippi is a case in point. It just hired a new Urban and Economic Development Director to sell developers on all the things the city offers them. Its new director is tasked with growing its business community by

strengthening the city’s infrastructure and promoting its various resources.

Like in many cities, this is a new task so it is not surprising that job one is to inventory vacant properties in the commercial district and in downtown buildings. The new director first needs to determine what they have before they can improve its infrastructure and sell their city’s attributes to developers, a story being repeated in hundreds of American cities right now.

Economic Development Solution?—Legislation



A slew of bills in Arkansas cover a myriad of economic development issues:

A temporary half-cent sales tax to fund construction of a four-lane highway

A study to determine how public and private organizations can best address quality of life and economic development issues in underserved areas.

Establish tax-based incentives to stimulate development in parts of Arkansas that have had large population losses.

Raise tax credits for motion picture and digital productions in Arkansas from fifteen-percent to twenty-percent.

Create a task force to recruit and host nuclear facilities

in Arkansas by December 2013.

Create the "Arkansas Great Places" program, a tourism promotion program based on other successful state tourism programs.

Streamline city and county elections that are aimed at passing temporary sales and use taxes to support economic development projects of \$10 million or more that create at least 50 new jobs.

Increase investment and start-up funding aimed at attracting knowledge-based

jobs by pooling the resources of several state agencies, programs and capital funding mechanisms.

Collect additional data in annual non-profit reports to better assess non-profits tax-exempt status.

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Why such improvement? Well, Louisiana's Economic Development Secretary credits his state's efforts to create a more competitive business climate, enhance support for small business development, and providing turnkey workforce solutions for expanding companies. Tax breaks in Louisiana, as is the case in Arizona and other states, are the big carrot states and cities are dangling in front of businesses to expand and relocate.

Our Take on It...

The focus on economic development by governments is intense because so much is riding on it. The Great Recession has given us a new appreciation for something that we may not have fully appreciated before. The ripple affect has touched us all in many ways. So, we'll continue to monitor this issue to share news and insights about what is working and what is not.

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nate their payroll and property presence in that state, replacing them with taxes based on their sales presence in the state. The goal is to encourage companies to expand their physical operations and hire additional workers in the state without being hit with a higher income tax liability.

Provide corporate tax credits of up to \$9,000 for

each qualifying new job. The goal is to create quality jobs by providing a \$3,000 tax credit a year for up to three years. To qualify the jobs must be full time, pay at least the median wage and cover at least 65 percent of the em-



ployee's health insurance premium.

The following are also included in Arizona's new economic development package: an increase in tax credits for angel investors, the elimination of capital gains on small business investments, an increase in the university-related research and development tax credit, and an increase in business personal property depreciation.

A new commerce authority will lead the state's economic development efforts, replacing the Department of Commerce which had lacked accountability and professionalism.



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