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As Companies Seek Tax Deals, Governments Pay High Price

By LOUISE STORY

In the end, the money that towns across America gave General Motors did not matter.

When the automaker released a list of factories it was closing during bankruptcy three years ago, communities that had considered themselves G.M.'s business partners were among the targets.

For years, mayors and governors anxious about local jobs had agreed to G.M.'s demands for cash rewards, free buildings, worker training and lucrative tax breaks. As late as 2007, the company was telling local officials that these sorts of incentives would "further G.M.'s strong relationship" with them and be a "win/win situation," according to town council notes from one Michigan community.

Yet at least 50 properties on the 2009 liquidation list were in towns and states that had awarded incentives, adding up to billions in taxpayer dollars, according to data compiled by The New York Times.

Some officials, desperate to keep G.M., offered more. Ohio was proposing a $56 million deal to save its Moraine plant, and Wisconsin, fighting for its Janesville factory, offered $153 million.

But their overtures were to no avail. G.M. walked away and, thanks to a federal bailout, is once again profitable. The towns have not been so fortunate, having spent scarce funds in exchange for thousands of jobs that no longer exist.

One township, Ypsilanti, Mich., is suing over the automaker's departure. "You can't just make these promises and throw them around like they're spare change in the drawer," said Doug Winters, the township's attorney.

Yet across the country, companies have been doing just that. And the giveaways are adding up to a gigantic bill for taxpayers.

A Times investigation has examined and tallied thousands of local incentives g nationwide and has found that states, counties and cities are giving up more tl each year to companies. The beneficiaries come from virtually every corner of world, encompassing oil and coal conglomerates, technology and entertainment companies, banks and big-box retail chains.

The cost of the awards is certainly far higher. A full accounting, The Times discovered, is not possible because the incentives are granted by thousands of government agencies and officials, and many do not know the value of all their awards. Nor do they know if the money was worth it because they rarely track how many jobs are created. Even where officials do track incentives, they acknowledge that it is impossible to know whether the jobs would have been created without the aid.

“How can you even talk about rationalizing what you’re doing when you don’t even know what you’re doing?” said Timothy J. Bartik, a senior economist at the W.E. Upjohn Institute for Employment Research in Kalamazoo, Mich.

The Times analyzed more than 150,000 awards and created a searchable database of incentive spending. The survey was supplemented by interviews with more than 100 officials in government and business organizations as well as corporate executives and consultants.

A portrait arises of mayors and governors who are desperate to create jobs, outmatched by multinational corporations and short on tools to fact-check what companies tell them. Many of the officials said they feared that companies would move jobs overseas if they did not get subsidies in the United States.

Over the years, corporations have increasingly exploited that fear, creating a high-stakes bazaar where they pit local officials against one another to get the most lucrative packages. States compete with other states, cities compete with surrounding suburbs, and even small towns have entered the race with the goal of defeating their neighbors.

While some jobs have certainly migrated overseas, many companies receiving incentives were not considering leaving the country, according to interviews and incentive data.

Despite their scale, state and local incentives have barely been part of the national debate on the economic crisis. The budget negotiations under way in Washington have not addressed whether the incentives are worth the cost, even though 20 percent of state and local budgets come from federal spending. Lawmakers in Washington are battling over possible increases in personal taxes, while both parties have said that lower federal taxes on corporations are needed for the country to compete globally.

The Times analysis shows that Texas awards more incentives, over $19 billion a year, than any other state. Alaska, West Virginia and Nebraska give up the most per resident.

For many communities, the payouts add up to a substantial chunk of their overall spending, the analysis found. Oklahoma and West Virginia give up amounts equal to about one-third of their budgets, and Maine allocates nearly a fifth.

In a few states, the cost of incentives is not significant. But several of them have low business taxes — or none at all — which can save companies even more money than tax credits.

Far and away the most incentive money is spent on manufacturing, about $25.5 billion a year, followed by agriculture. The oil, gas and mining industries come in third, and the film business fourth. Technology is not far behind, as companies like Twitter and Facebook increasingly seek tax breaks and many localities bet on the industry's long-term viability.

Those hopes were once more focused on automakers, which for decades have pushed cities and states to set up incentive programs, blazing a trail that companies of all sorts followed. Even today, G.M. is the top beneficiary, public records indicate. It received at least $1.7 billion in local incentives in the last five years, followed closely by Ford and Chrysler.

A spokesman for General Motors said that almost every major employer applied for incentives because they help keep companies competitive and retain or create jobs.

"There are many reasons why so many Ford, Chrysler and G.M. plants closed over the last few decades," said the G.M. spokesman, James Cain. "But these factors don't mean that the companies and communities didn't benefit while the plants were open, which was often for generations."

Mr. Cain cited research showing that the company received less money per job than foreign automakers operating in the United States.

Questioned about incentives, officials at dozens of other large corporations said they owed it to shareholders to maximize profits. Many emphasized that they employ thousands of Americans who pay taxes and spend money in the local economy.

For government officials like Bobby Hitt of South Carolina, the incentives are a good investment that will raise tax revenues in the long run.

"I don't see it as giving up anything," said Mr. Hitt, who worked at BMW in the 1990s and helped it win $130 million from South Carolina.

Today, Mr. Hitt is the state's secretary of commerce. South Carolina recently took on a $218 million debt to assist Boeing's expansion there and offered the company tax breaks for 10 years.

Mr. Hitt, like most political officials, has a short-term mandate. It will take years to see whether the state's bet on Boeing bears fruit.

In Michigan, Gov. Rick Snyder, a Republican in his first term, has been working to eliminate most business tax credits but is bound by past awards. The state gave General Motors $779 million in credits in 2009, just a month after the company received a $50 billion federal bailout and decided to close seven plants in Michigan.

G.M. can use the credits to offset its state tax bill for up to 20 years. "You don't know who will take a credit or when," said Doug Smith, a senior official at the state's economic development agency. "We may give a credit to G.M., and they might not take it for three years or 10 years or more."

One corporate executive, Donald J. Hall Jr. of Hallmark, thinks business subsidies are hurting his hometown, Kansas City, Mo., by diverting money from public education. "It's really not creating new jobs," Mr. Hall said. "It's motivated by politicians who want to claim they have brought new jobs into their state."

For Mr. Hall and others in Kansas City, the futility of free-flowing incentives has been underscored by a border war between Kansas and Missouri.

Soon after Kansas recruited AMC Entertainment with a $36 million award last year, the state cut its education budget by $104 million. AMC was moving only a few miles, across the border from Missouri. Workers saw little change other than in commuting times and office décor. A few months later, Missouri lured Applebee's headquarters from Kansas.

"I just shake my head every time it happens, it just gives me a sick feeling in the pit of my stomach," said Sean O'Byrne, the vice president of the Downtown Council of Kansas City. "It sounds like I'm talking myself out of a job, but there ought to be a law against what I'm doing."

Outgunned by Companies

For local governments, incentives have become the cost of doing business with almost every business. The Times found that the awards go to companies big and small, those gushing in profits and those sinking in losses, American companies and foreign companies, and every industry imaginable.

Workers are a vital ingredient in any business, yet companies and government officials increasingly view the creation of jobs as an expense that should be subsidized by taxpayers, private consultants and local officials said.

Even big retailers and hotels, whose business depends on being in specific locations, bargain for incentives as if they can move anywhere. The same can be said for many movie productions, which almost never come to town without local subsidies.

When Oliver Stone made the 2010 sequel to "Wall Street," in his mind there was only one place to shoot it: New York City. Nonetheless, the film, a scathing look at bankers' greed, received $10 million in tax credits, according to 20th Century Fox.

In an interview, Mr. Stone criticized subsidies for industries like banking and agriculture but defended them for Hollywood, saying that many movies can be shot anywhere and that their actors and crew members pay state income taxes. "It's good," Mr. Stone said of the film subsidies. "Or like basically the way business is done. I don't understand what the moral qualm is."

The practical consequences can be easily seen. The Manhattan Institute for Policy Research, a conservative group, found that the amount New York spends on film credits every year equals the cost of hiring 5,000 public-school teachers.

Nationwide, billions of dollars in incentives are being awarded as state governments face steep deficits. Last year alone, states cut public services and raised taxes by a collective $156 billion, according to the Center on Budget and Policy Priorities, a liberal-leaning advocacy group.

Incentives come in many forms: cash grants and loans; sales tax breaks; income tax credits and exemptions; free services; and property tax abatements. The income tax breaks add up to $18 billion and sales tax relief around $52 billion of the overall $80 billion in incentives.

Collecting data on property tax abatements is the most difficult because only a handful of states track the amounts given by cities and counties. Among them is New York, where businesses save an estimated $1.1 billion a year in property taxes. The American International Group, the insurance company at the center of the 2008 financial crisis, continued to benefit from a $23.8 million abatement from New York City at the same time it was being bailed out with $180 billion in federal money.

Since 2000, The New York Times Company has received more than $24 million from the city and state.

In some places, local officials have little choice but to answer the demands of corporations.

"They dictate their terms, and we're not really in a position to question their deal terms," Sarah Eckhardt, a commissioner in Travis County, Tex., said of companies she has dealt with recently, including Apple and Hewlett-Packard. "We don't have the sophistication or the resources to negotiate with a company that has the wherewithal the size of a country. We are just no match in negotiating with that."

Local officials can find themselves across the table from conglomerates like Shell Oil and Caterpillar, the world's largest maker of construction equipment.

Shell has been offered a tax credit worth as much as $1.6 billion over 25 years from Pennsylvania, which competed with West Virginia and Ohio for an energy production facility. Royal Dutch Shell, the parent company, made $31 billion in profits in 2011 — about $3.5 million every hour. The company's chief executive made $13.1 million last year, according to Equilar, an executive compensation firm. Pennsylvania predicts that the plant will create thousands of long-term jobs, but it did not require them in exchange for the tax credit.

Caterpillar has received more than $196 million in local aid nationwide since 2007, though it has chastised states, particularly its home base, Illinois, for not being business-friendly. This year, Caterpillar announced a new plant in Georgia, which offered $44 million in incentives. Local counties chipped in free land and other aid, including $15 million in tax breaks and $8.2 million in road, water and sewer repairs.

The company, whose profits are soaring, recently froze workers' pay for six years at several locations, arguing that it needed to remain competitive. A spokesman for the company, Jim Dugan, said it employed more than 50,000 people and invested billions of dollars nationwide.

Local officials typically have scant information about the track record of corporations, like whether they lived up to job assurances elsewhere. And some officials acknowledged that they did not know to what extent incentives were a deciding factor for companies.

"I don't know that there's a way to know other than talking to the businesses, and the businesses telling us that that was a factor in creating jobs," said Ken Striplin, the city manager of Santa Clarita, Calif., which gives tax breaks in a designated enterprise zone. "There's no box that says 'I would have created this job without the enterprise zone.' "

California is one of the few states that have been cutting back on incentives. But that does not mean its cities are following suit. When Twitter threatened to leave San Francisco last year, officials scrambled to assuage the company.

Twitter was not short on money — it soon received a $300 million investment from a Saudi prince and $800 million from a private consortium. The two received Twitter equity, but San Francisco got a different sort of deal.

The city exempted Twitter from what could total $22 million in payroll taxes, and the company agreed to stay put. The city estimates that Twitter's work force could grow to 2,600 employees, although the company made no such promise.

A Twitter spokeswoman said the company was "very happy to have been able to stay in San Francisco." City officials did not respond to inquiries.

Like many places, San Francisco has been cutting its budget. Public parks have lost about $12 million in recent years, though workers at Twitter will not lack for greenery. The company's plush new office has a rooftop garden with great views and amenities. Enjoying the perks, one employee sent out a tweet: "Tanned on Twitter's new roof deck this morning as some dude served me smoothie shots. This is real life?"

A Zero-Sum Game

It was the company every state had to have. In 1985, General Motors was looking for a spot to manufacture its Saturn, a new compact car that would compete with Japanese imports and create thousands of American jobs.

Incentives were not in wide use, and several states had only recently begun to allow more of them.

In fact, when G.M. announced the search, its chairman, Roger Smith, said the perks would not be a predominant factor. "Tax breaks can't make a silk purse out of a sow's ear," Mr. Smith told The Detroit Free Press. He said G.M. planned to avoid states that had large debts or lackluster schools.

Undeterred, some 30 states stepped forward in what became a full-out competition. One official, Bill Clinton, then the governor of Arkansas, traveled to Detroit offering income tax credits and sales tax exemptions worth nearly $200 million.

Mr. Smith essentially kept his word and chose Tennessee, which had put together a relatively small package. Reid Rundell, a retired G.M. executive, said in a recent interview that it had come down to geography. "The primary factor was distribution for incoming parts, as well as outgoing vehicles," Mr. Rundell said.

But the gates had been opened. In 1992, South Carolina lured BMW with a $130 million package; the next year, Alabama got Mercedes-Benz at a price tag that topped $300 million.

"What the auto incentives did back then was really raise the profile of economic incentives both within companies, in government and in the public's eye," said Mark Sweeney, who worked for the South Carolina Commerce Department in the 1990s and now advises companies on obtaining government grants.

By 1993, governors were regaling one another at a national conference with stories of deals beyond the auto industry, including a recent bidding war for United Airlines that drew more than 90 cities. The airline had set up negotiations in a hotel, and its representatives ran floor to floor comparing bids, said Jim Edgar, then the governor of Illinois.

Mr. Edgar said he had called for a truce, concerned that the practice was unfair to companies that did not receive incentives. But many states would not sign on, he said, particularly those in the South, where businesses were moving.

“If you’ve got some states doing it, it’s hard for the others not to do it,” Mr. Edgar said. “It’s like unilaterally disarming.”

Soon after, economists at Federal Reserve branches were questioning the use of incentives. One, in Minnesota, used mathematical proofs and game theory to show that competition between states did not increase overall economic value. Several other economists have since called the practice a zero-sum game.

A group of taxpayers in Michigan and Ohio went as far as suing DaimlerChrysler after Ohio and the City of Toledo awarded the automaker $280 million in the late 1990s. The suit argued that it was unfair for one taxpayer to be given a break at the expense of all others.

The suit made its way to the Supreme Court, and G.M. and Ford signed on to briefs supporting Daimler, as did local governments. The National Governors Association warned the court that prohibiting incentives could lead to jobs moving overseas. “This is the economic reality,” the association said in a brief.

The governors offered no hard evidence of the effectiveness of tax credits, but the Supreme Court did not consider whether they worked anyway. In 2006, the court concluded that the taxpayers did not have the legal standing to challenge Ohio’s tax actions in federal court.

The tab for auto incentives has grown to $13.9 billion since 1985, according to the Center for Automotive Research, a nonprofit group in Ann Arbor, Mich. G.M., the top recipient, was awarded $3.3 billion of the aid. Since 1979, automakers also closed more than 267 plants in the United States, about half of which still sit empty, according to the center.

The auto industry and some local officials have long argued that auto companies create so many jobs and draw in so many supporting suppliers that all taxpayers benefit. Even if companies shut down years later, as Saturn did in Tennessee for a few years, the trade-off is worth it, they said.

"I do believe that if a state ever is going to create incentives," said Lamar Alexander, who was Tennessee's governor in 1985 when Saturn selected the state, "the auto industry would be by far the No. 1 target, because an auto assembly plant is a money target."

Still, Mr. Alexander, now a United States senator, said that recruiting a large factory today would be more expensive. "It has changed a lot," he said. "It's almost become a sweepstakes."

G.M. Gets Into the Act

G.M. may have initially minimized the role of local dollars, but as the company's financial problems grew, incentives became a big part of its math.

The actions of the company were described in more than two dozen in-depth interviews with former company officials, tax consultants and governors and mayors who have dealt with G.M.

The automaker's real estate division, Argonaut Realty, oversaw the hunt for the most lucrative deals. Up and down the corporate ladder, employees were encouraged to push governments for more, according to transcripts of public meetings and interviews. Even G.M. plant managers knew that the future of their facilities depended in part on their ability to send word of big discounts back to Detroit.

Union representatives were enlisted to attend local hearings, putting a human face on the jobs at stake. G.M.'s regional tax managers often showed up, armed with tax abatement wish lists and highlighting the company's gifts to local charities.

"We knew what our investment of X amount meant to the community, and we knew we needed to partner with the community to be successful," said Marilyn P. Nix, who worked as a real estate executive at G.M. for 31 years until retiring in 2005.

At the top of G.M., executives reviewed the proposals from various locations and went where the numbers added up.

"I know people like to blame the industry for taking advantage of the incentives, but you go back to what your fiduciary responsibility is to the stockholders," Ms. Nix said. "As long as you've got people that are willing to better the deals, the management owes it to their stockholders to try to get the best economic deal that they can."

For towns, it became a game of survival, even if the competition turned out to be a mirage.

Moraine, Ohio, was already home to a G.M. plant in 1997 when the company pushed hard for additional incentives. G.M. said it was looking for a place to accommodate more manufacturing.

Wayne Barfels, the city manager at the time, said a G.M. representative had told officials that Moraine was competing with Shreveport, La., and Linden, N.J. After the local school board approved property tax breaks, The Dayton Daily News reported that the other towns had not been in discussions with G.M.

The school board considered rescinding the deal, but allowed G.M. to keep it after a company official apologized. In 2008, G.M. shut the Moraine facility.

In towns where General Motors remains, local officials praised the company. “I can say they have been a great partner to us,” said Virg Bernero, the mayor of Lansing, Mich. “It would do something to the psyche of this community if they were not here. I mean, I just praise God every day.”

Looking to lure businesses beyond automakers, states have routinely bolstered their incentive tool kits. In 2010 alone, states created or expanded about 40 tax credits and exemptions, according to the National Conference of State Legislatures.

The nature of the credits has also changed. New ones are geared toward attracting technology and green energy companies, but it is hard to know whether 15 years down the road they will thrive or wind up stumbling like the automakers. And many modern companies, like those in digital technology, can easily pack up and leave.

“I don’t see anything that suggests that Twitter and Facebook are better bets in the long run,” said Laura A. Reese, the director of the Global Urban Studies Program at Michigan State University. Ms. Reese advises local governments to invest in residents through education and training rather than in companies where “it’s hard to pick winners.”

Yet states try to do it all the time. In 2010, Rhode Island, which has the nation’s second-highest unemployment rate, recruited Curt Schilling, a former Red Sox pitcher, to move his video game company from Massachusetts. The company, 38 Studios, had never released a game and was not making money, but the governor at the time had the state guarantee $75 million in loans.

The company failed and dismissed all of its roughly 400 workers this May. Rhode Island taxpayers are now on the hook for the loans.

Officials said part of the difficulty was that communities do not get much say in a company’s business strategy.

“We, as communities, stake our futures with these people who are supposed to know what they're doing, and sometimes they don't," said Arthur Walker, a businessman in Shreveport and former chairman of the city's chamber of commerce.

Mr. Walker and other officials in Shreveport know firsthand. In 2000, they were worried that G.M. would close a plant in their area and responded with a generous proposal: the city would cut the company's gas bill and provide work force training grants. In addition, G.M. would benefit by a recent increase in one of the state's income tax credits.

Eager to encourage innovation, Shreveport officials suggested ways the city could assist G.M. in building electric cars. "We wanted to be part of the future," said Mr. Walker, whose brother worked at the plant.

G.M. took the city's incentives but not its business advice and began building the giant Hummer there.

"We knew they needed to build green cars — I mean, who builds a Hummer for the 21st century?" Mr. Walker said. "It was a losing proposition that we found ourselves in. We couldn't win because those people weren't making the correct business decisions, in my view. When it didn't work, we're the ones left holding the bag."

The Hummer was discontinued in 2010, and the Shreveport factory closed this August, the final victim of G.M.'s bankruptcy.

Ypsilanti's Losing Battle

For much of the last 20 years, Doug Winters has been agitating for General Motors to be held accountable.

Mr. Winters, the attorney for Ypsilanti Township and several other places around Ann Arbor, has lived in Ypsilanti all his life. His grandmother labored at the local plant, Willow Run, during World War II, when it made bomber planes. People in town still proudly point out that a woman known as Rosie the Riveter worked there as well. After the war, when G.M. moved into the plant to manufacture its automatic transmission system, his father got a job.

Mr. Winters loves the history of Willow Run but hates what he views as corporate hypocrisy: G.M. asked for government help on the one hand and then appealed to free-market rationales for closing shop.

Over the years, Ypsilanti granted G.M. more than $200 million in incentives for two factories at Willow Run, Mr. Winters said. "They had put basically a stranglehold on the entire state of Michigan and other places across the country by just grabbing these tax abatements by the billions," he said. "They were doing it with a very thinly disguised threat that if you don't give us these tax abatements, then we'll have to go somewhere else."

Ypsilanti first sued G.M. in the 1990s to prevent the company from closing the factory at Willow Run that made the Chevrolet Caprice.

The town had granted the company tax incentives after the factory manager argued that G.M.'s ability to compete with other carmakers was at stake, documents in the lawsuit show. The tax break and "favorable market demand," said the plant manager, Harvey Williams, would allow the automaker to "maintain continuous employment."

Nevertheless, G.M. shut the factory. A lower court found in favor of Ypsilanti, but the ruling was reversed on appeal. The judge said that a company's job assurances "cannot be evidence of a promise."

In 2010, when the company closed the remaining factory at Willow Run, Mr. Winters sued again. This time, Ypsilanti argued that the automaker should have been forced to close overseas factories instead, especially since American taxpayers had bailed out G.M. In addition, Ypsilanti sought to recover money from G.M., saying the company had agreed to reimburse the town for some incentives if it left.

So far, Ypsilanti's claims have not been addressed. They were complicated by G.M.'s bankruptcy, which allowed the carmaker to emerge as a new company and leave some of its liabilities and contractual obligations behind.

When asked whether the new G.M. has civic responsibilities to its former factory towns, Mr. Cain, the company spokesman, said: "Our obligation to the communities where we do business is to run a successful business. And when we prosper, it allows us to do more than just turn the lights on and make cars."

He also said that since the bailout, "G.M. has invested more than $7.3 billion in its U.S. facilities, and we've created or retained almost 19,000 jobs in communities all over the country."

Matthew P. Cullen, who oversaw real estate and economic development for G.M. until he left the company in 2008, said the automaker was aware of its impact on communities. He said that what happened with G.M. was the result of an entire industry changing and that there had been no bad intentions.

"If you go forward in good faith doing everything you can and make the investment, then you're partners," Mr. Cullen said. "Sometimes partnerships in business work, and they work for 60 years. And in some cases, they don't, and it doesn't make you a bad partner."

Some towns that are still dealing with the fallout of plant closings might disagree. In Pontiac, Mich., tax revenues have fallen 40 percent since 2009 after the old G.M. knocked down buildings on its property, resulting in lower tax assessments, according to the city's emergency manager.

In Ypsilanti, an entity set up to sell off G.M. property is marketing the plant as valuable. At the same time, it has been arguing for lower property taxes on the grounds that its plant is not worth much.

Ypsilanti's supervisor, Brenda Stumbo, said the township would be stung hard by further revenue cuts. Ypsilanti has already slimmed down its Fire Department, and city workers are juggling multiple jobs. There are seven to 10 home foreclosures a week, giving the township the highest foreclosure rate in the county, Ms. Stumbo said.

"Can all of it be traced back to General Motors?" she said, listing auto suppliers that closed after G.M. did. "No, but a great deal of it can."

Nonetheless, Ms. Stumbo said that if G.M. would bring jobs back to town, she would be willing to grant the company more incentives.

But Mr. Winters is not so sure. He said he would never support more incentives without stronger protections for Ypsilanti. "They've done a lot of damage to a lot of people and a lot of communities, and they've basically been given a clean slate," he said. "It's a 'get out of jail free' card."

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Lower-cost states' tax breaks lure NY companies

Can the city resist joining 1990s-era race to the bottom?

Aaron Elstein

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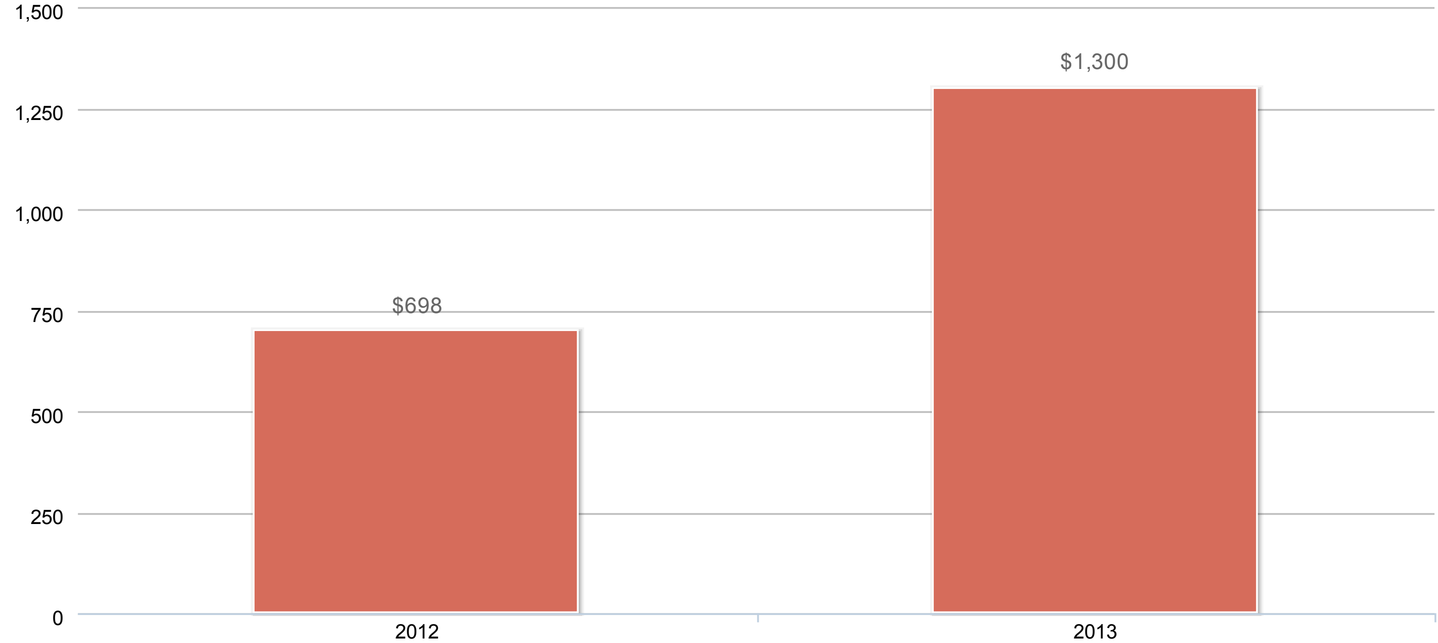
The war for some of New York City's best jobs is back on.

These are terrific times for Tim Lizura, the New Jersey official in charge of persuading companies in New York City and other places to come to the Garden State. Earlier this month, he landed some truly big fish when Manhattan giants JPMorgan Chase, RBC Capital Markets and Univision Communications each cut deals to bring a total of 2,000 jobs across the Hudson River in return for bushels of tax breaks.

"In just one month, we had a big year," said Mr. Lizura, the president of the New Jersey Economic Development Authority, referring to the series of corporate tenants landed with the help of more than $600 million in tax credits and other incentives ladled out by his agency.

Such successes are turning heads. "New Jersey is really setting the pace now, offering very rich incentives for pretty much any company that brings quality jobs," said Dan Levine, who runs a corporate-relocation firm called MetroCompare.

New Jersey's payouts (in millions)



The war for some of New York City's best jobs is back on. New Jersey as well as Florida, Texas and even Kentucky are among the states wooing New York employers of all sizes and types with generous tax breaks and other subsidies. And in the biggest possible defection of all, drawn by low corporate tax rates across the ocean, Pfizer has bid $100 billion for British rival AstraZeneca, in a deal in which the Brooklyn-born, Manhattan-based drug giant would shift its headquarters to London.

It's all a replay of a costly battle that raged in the 1990s—and one New York officials want no part of.

"We're not going to negotiate against other states," said Alicia Glen, deputy mayor for housing and economic development, at a Citizens Budget Commission event last week. "We are sticking to our guns. That is not a game we're going to play."

TARGETING WALL STREET

Speaking on the same day that Bank of New York Mellon agreed to sell its headquarters building at 1 Wall St. for $585 million, Ms. Glen insisted the city would refrain from doing "any sort of special deal" to encourage the bank to keep jobs within the five boroughs. Meanwhile, bank executives have said that they are eyeing sites on both sides of the Hudson.

CBC President Carol Kellermann has heard such declarations of unilateral disarmament before.

"People usually talk tough about giving companies subsidies," she said. "Until they can't resist because the competition gets too much."

That point may be fast approaching. Signs are mounting that the efforts of New Jersey and other states and municipalities to lure jobs from New York companies are having an impact.

Wall Street jobs continue to slip away, hitting a post-2008 low of 161,600 in March, down from a pre-crash high of 194,000, according to the most recent data from the U.S. Bureau of Labor Statistics. Perhaps more troubling, 8,000 securities-industry jobs that were regained in New York as the financial crisis receded have disappeared in the past three years. That loss comes at the same time that the industry's nationwide head count has grown by 14,000.

Some of the decline can be attributed to big banks cutting staff in areas like mortgages and trading, where business has fallen off in recent years. But at the same time, banks have added personnel in lower-cost locales offering rich deals.

JPMorgan's arrangement with New Jersey calls for the bank to create 1,000 jobs in Jersey City in exchange for $225 million in tax credits over 10 years. The technology and operations jobs will offer median pay of $120,000, according to state documents. Those are modest-paying jobs by Wall Street standards, which helps explain why the exodus hasn't yet harmed New York's tax revenue, as the high earners stay put.

Other types of companies are also heeding the siren call of New York's competitors. Early this year, Manhattan-based drugmaker Bristol-Myers Squibb opened a facility in Tampa, Fla., where it pledged to create about 600 jobs in exchange for nearly $7 million in incentives.

Similarly, law firm Kaye Scholer shifted about 100 back-office jobs to Tallahassee, Fla., last year in exchange for $448,000 in incentives. In July, law firm White & Case plans to open a services center in Tampa that is expected to employ 50 people, a spokesman said.

Three years ago, one of the bluest of the city's blue-chip companies, Tiffany & Co., blazed a path in a different direction entirely. It opened a factory in Lexington, Ky.—its first outside the Northeast. Last year, Tiffany increased its staff of diamond setters and polishers there by 75, to 200.

To date, Tiffany has received about $7 million in state subsidies. It's a sum that local officials insist was well spent: "It has really helped us having the Tiffany brand name here," said Bob Quick, president of Commerce Lexington.

EMPIRE STATE STRIKES BACK

Ironically, one of the reasons New Jersey officials upped the subsidy ante is that jobs were vanishing from their own state. Last year, car-renter Hertz moved its headquarters, along with 700 good jobs, to Florida from New Jersey in exchange for $85 million in incentives, according to Good Jobs First, a subsidy watchdog group.

Last year, the state also hemorrhaged jobs when Swiss drugmaker Roche opened a research facility in—of all places—Manhattan, in exchange for $6.6 million in subsidies from New York state. And just last week, Time Inc., which looked at possible headquarters sites in New Jersey, said it will instead move from midtown to downtown, reaping millions of dollars in New York state subsidies.

Similarly, the U.S. arm of Toronto Dominion Bank, now headquartered in the Garden State, is eyeing a big lease at a spire set to rise across Vanderbilt Street from Grand Central Terminal, according to *The Wall Street Journal*, in a deal that would also likely include some financial grease from Albany.

New York City itself is no slouch with it comes to doling out tax breaks. CBC says the city started doing so in earnest in 1974, when several insurance firms got incentives to keep jobs here. A generation later, such generosity sparked a huge outcry when outfits such as Bear Stearns and even the New York Stock Exchange were granted big subsidies after threatening to sail across the Hudson. In 2012 alone, the city lavished $1.6 billion on incentives to stoke economic development, according to the CBC—more than double the amount of such goodies a decade earlier.

Now that the subsidy wars have resumed, it's hard to envision anyone surrendering. In her remarks last week, Ms. Glen speculated that budget problems would force New Jersey to ease off on incentives. The Garden State's Mr. Lizura begs to differ. Even if New Jersey gives up a slug of tax revenue to gain jobs, it still ends up with more than it would have had otherwise, he argued.

"We're better off with these projects than without," he said.

Currently, he has his eyes on winning over Bank of New York Mellon as well as a host of companies in technology, life sciences, health and manufacturing. Last year, he doled out $1.3 billion in corporate assistance, nearly twice as much as in 2012, and he's not done yet.

"I wouldn't be surprised," he said, "if we exceed that this year."

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COLORADO SPRINGS NEWS, SPORTS & BUSINESS

The lure of tax breaks: A view from Colorado Springs

By **Wayne Heilman** **(/author/wayne-heilman)** Updated: November 30, 2014 at 6:34 am • **0**

Anyone who questions the wisdom of tax breaks to encourage business development might want to chat with Jeff Perkins and Britt Ham.

Perkins works with a company that relocated from North Carolina to an area near the Colorado Springs Airport, in part because of tax breaks approved by city, county and state officials to encourage economic development at or near the airport.

Ham is president and CEO of a company near the airport that is expanding, thanks to the tax breaks.

Together, the companies employ more than 40 people, and they're planning to add another 75 employees - the bottom-line goal of the tax breaks.

The tax breaks are a "huge incentive" for Trine Aerospace LLC to expand in the Springs, Ham said. Trine, which moved to Colorado Springs from Chatsworth, Calif., last year, has grown from about a dozen employees to 20 and has up to eight contract workers.

"It gives us an advantage over other companies," Ham said of the incentives. "The benefit is to lower our cost and allow us to bring business to Colorado Springs. We have to compete for business and, as a new business, that competition is often based on price. We are a quality vendor at a significantly lower price."

Trine plans to expand to 50 employees by the end of 2016, and company officials are studying whether to consolidate space in five hangars at the airport into a single 60,000-square-foot hangar they would build nearby, Ham said.

Perkins, vice president of business management for Rampart Aviation LLC, said the tax breaks were one of several factors that prompted owner Tony Porterfield to move the company from the Raleigh, N.C., area to the Springs. The company specializes in providing flight services, aircraft maintenance and aviation training support mostly for military units for parachute drops. It has 20 local employees and plans to add another 25 in the next year, Perkins said.

Deals hinged on tax breaks

Both companies came to the Springs as Mayor Steve Bach and airport officials were developing a series of tax breaks to lure aviation and aerospace companies to the airport to provide jobs for local residents and generate income for the facility. Any income the airport generates from leasing existing hangars or from land for new hangars helps pay its operating expenses and cuts the amount that airlines pay in landing fees - a potential way to lure more flights to a facility that has seen traffic drop dramatically.

Besides the expansions by Rampart and Trine, the airport also has leased two long-vacant facilities - one that will house a vintage aircraft collection and the other that will be used by a company that plans to convert aircraft once used by airlines for military use, bringing at least 20 more jobs to the airport.

Dan Gallagher, the airport's director, said all four deals depended on the tax breaks, which include city and county exemptions or credits for sales and use taxes paid by businesses that lease, sell, repair or maintain aircraft.

Gallagher said at least two other companies are showing interest, as a result of the tax breaks, in 200 acres on the airport's west side for potential sites of hangars they would build for aircraft modification and conversion that could eventually employ thousands of workers.

"Our future appears to be aircraft integration, or bringing older planes to today's navigational and technical standards, including engine modifications and winglets to make the aircraft more fuel efficient," Gallagher said. "We have a great opportunity to take advantage of this developing industry and we have enough land available to create thousands of additional jobs" in that industry.

Aviation and aerospace manufacturers also have shown increased interest because of the tax breaks in building plants or other facilities in the airport's 900-acre Cresterra business park that has long been envisioned by local officials as an economic hub for the region.

The tax breaks aren't the airport's only recruiting tool. Parts of both the business park and the west side of the airport, which is home to a series of hangars for private and corporate aircraft, are designated as a foreign trade zone. Such zones allow businesses to delay, reduce or even avoid U.S. Customs duties, which are imposed on imported raw materials, parts and equipment brought into the zone, lowering operating costs for any businesses located in a zone.

But the tax breaks are considered a bigger draw.

Bach began pushing for tax breaks at the airport shortly after Gallagher was named interim airport director early last year as a way to help turn around declining airline service by finding other revenue sources that would lower costs for carriers at the airport. He said attracting businesses and jobs to the airport could help jump-start economic development in all of southeast Colorado Springs, the city's most economically struggling area.

"Companies in aviation and aerospace-related industries won't come to our airport unless we can give them some kind of targeted incentive to help them get started here," Bach said.

"We are using performance-based incentives to attract and retain employers at this airport."

Aircraft owners fled airport

Plans for the tax breaks grew out of an exodus of aircraft from the Springs airport that began when the city started charging sales and use tax on aircraft, parts and related equipment.

Owners moved more than 60 aircraft to Meadow Lake Airport near Falcon, Centennial Airport in Englewood and others along the Front Range. Most other cities with airports specializing in private and corporate aviation had waived or rebated such taxes, putting the Springs airport at a disadvantage.

The Colorado Springs City Council voted 7-2 in April to create a commercial aeronautical zone that allows businesses in and around the airport that lease, sell, repair or maintain aircraft to be exempt from most city sales and use taxes.

El Paso County commissioners in August unanimously approved the zone in the same areas to give credits for sales tax paid by businesses on equipment and supplies used in maintaining, retrofitting and upgrading aircraft.

The Colorado Office of Economic Development & International Trade in September designated the airport as a aviation development zone, which makes aviation and aerospace businesses at the airport eligible for a state income tax credit of $1,200 for each newly hired employee.

Airport officials also have asked the Pikes Peak Rural Transportation Authority to exclude 1,023.6 acres on the airport's west side and in the business park from its borders so airport businesses won't have to pay the authority's 1 percent sales tax.

The authority has scheduled a public hearing Dec. 10 on the request.

THE LURE OF TAX BREAKS: A VIEW FROM COLORADO SPRINGS

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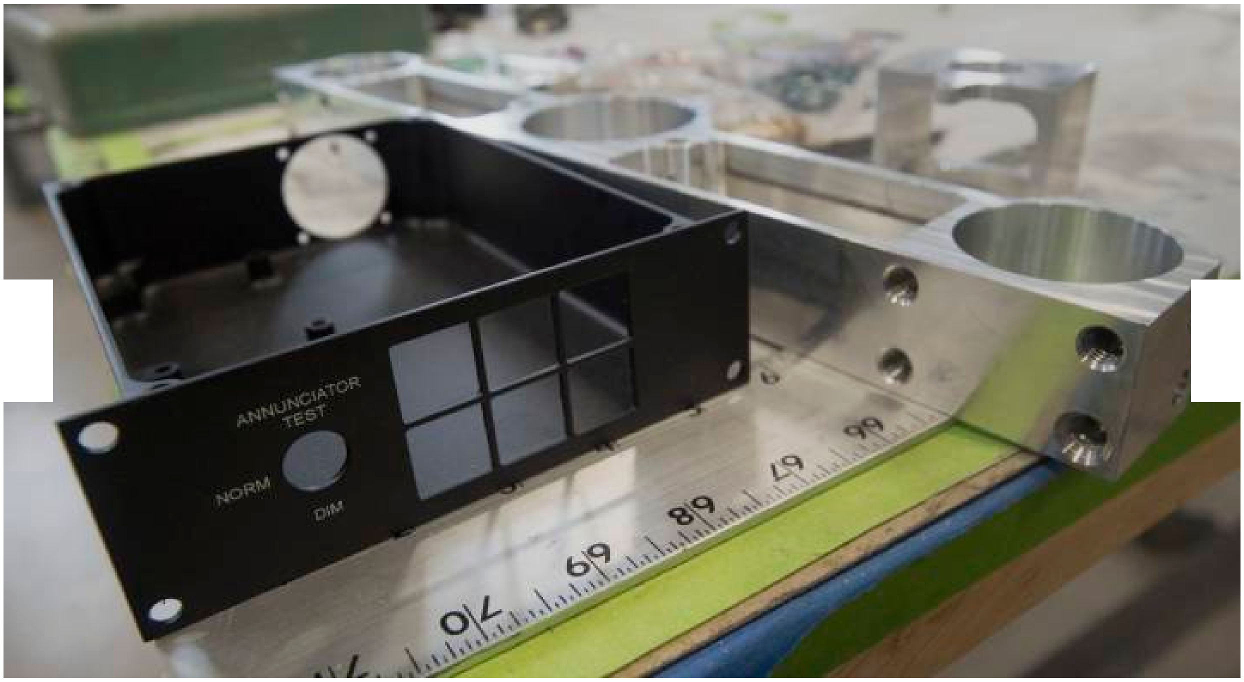


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