

**TAX PHASE-IN ANALYSIS UPDATE:  
2012 PAYABLE 2013**



DEPARTMENT OF PLANNING SERVICES  
OCTOBER 2013

Annually, the Department of Planning Services updates the original study of the tax phase-in program published by Allen County Department of Planning Services – Tax Abatement: A 1991 Analysis of Allen County’s Program<sup>1</sup>. This particular update covers the 2012 Payable 2013 tax year and includes data for the companies and taxing districts located in unincorporated Allen County as well as the cities of New Haven and Woodburn and the towns of Grabill, Monroeville, Hometown and Leo-Cedarville which use County Economic Development staff to administer the County’s tax phase-in program. The data and information pertaining to the City of Fort Wayne is not included in this analysis unless specified.

**PROGRAM OVERVIEW**

Since the beginning of the Allen County Tax Abatement Program (1982) through 2012, there has been 290 tax phase-in’s granted in unincorporated Allen County and the smaller cities and towns. Based upon information provided when these companies applied for their tax phase-in, they have committed to invest more than \$2.35 billion. These are significant dollars being invested in Allen County by companies who believe this is a great place to do business. These tax deductions phase in a company’s taxes over time, which helps ease the costs associated with start-up, new equipment, and expansions.

**Table 1**

Investment in Real Property	\$ 668,296,944	Jobs Retained	51,264
Investment in Personal Property	\$ 1,685,004,848	Jobs Created	16,156
Total	\$ 2,353,301,792	Total	67,420

**2012 APPLICATIONS FOR STATEMENT OF BENEFITS / ERA DESIGNATION**

2012 was not as busy of a year as the previous year for new investment and tax phase-in in Allen County in terms of the number of businesses choosing to expand, build new facilities, or invest in new equipment. In 2011 the county saw 16 projects while in 2012 eight companies were approved for tax deductions. Investment dollars in new or additional construction decreased in 2012 from 2011. The amount invested in real property from 2011 (\$89,539,795) to 2012 (\$6,793,000) shows a major decrease. However, 2011 was a record year in terms of real investment dollars because of the number of large projects that broke ground (BF Goodrich, Greatbatch, SDI LaFarga, General Mills, and Vera Bradley). Personal property investment, or investment in equipment, also decreased from 2011 to 2012. Again, the large projects that invested in new construction in 2011 also invested heavily in equipment. In 2012, investment in new equipments amounted to \$14,826,220 while in 2011 that number was \$97,935,600. Table 2 on the following page details the proposed investments for 2012.

<sup>1</sup> This analysis, as well as previous updates, has utilized tax phase-in filing data provided by the Allen County Auditor’s Office.

Table 2

Company	Investment in Real Property	Term	Investment in Personal Property	Term	Estimated Savings
Parkview (Ortho NE lessee)	\$3,750,000	10	n/a	n/a	\$ 432,079
Parco, Inc (H-Town)	n/a	n/a	\$184,250	3	\$ 4,265
Precision Laser Svc (H-Town)	n/a	n/a	\$134,000	3	\$ 3,102
Exel Inc.	n/a	n/a	\$1,750,000	5	\$ 41,400
Crown/Android Industries	\$343,000	5	\$6,880,970	7	\$ 235,919
American Mitsuba Corp (MO)	\$2,500,000	10	\$5,392,000	10	\$ 573,820
JCR Automation	\$ 200,000	5	\$ 300,000	3	\$ 15,013
Glaze Tool (NH)	n/a	n/a	\$ 185,000	5	\$ 6,909
Totals	\$ 6,793,000		\$ 14,826,220		\$ 1,312,507

Orthopaedics Northeast, P.C. is a part of the Parkview Health System located on the new Parkview North Campus on Dupont Road and I-69. The \$3.75 million investment was in a 15,000 square foot expansion of its existing medical office building. Ortho NE is adding at least 18 additional jobs to their existing staff of 86. Six of the new positions are physicians and physician assistants.

Parco, Inc. is a business located in Huntertown on Lima Road. The company manufactures and distributes T-slotted aluminum extrusion components and designs and builds custom finished products. Parco is using their investment dollars in purchasing a new profile machining center, an automatic cutoff saw, forklifts, and racking. The investment in new equipment made it possible to bring on an additional 4 employees to handle additional orders.

In March, Precision Laser Services, Inc., also located in Huntertown, invested \$134,000 in a new lathe and a press brake. The company provides CNC machining, laser cutting, forming, and welding to its customers. PLS needed the new equipment to meet demand. Three new employees were also needed and added to the existing team of 24.

In April, 2012, Exel was granted a five year tax phase in on \$1.75 million investment in fork lift equipment and warehouse racking. The equipment was installed at the newly constructed General Mills facility on Bluffton Road. Exel planned on 60 additional hires whose annual payroll is estimated at \$1,435,200.

Crown Enterprises / Android Industries is located on Fogwell Parkway, across from the General Motors plant. The organization applied for a tax phase in of real improvements, manufacturing equipment, and special tooling in April, 2012. The company works with GM in the assembly and delivery of automotive and truck wheels and tire modules. The \$343,000 investment includes adding 4,000 square feet to the 108,000 square foot facility; five years of tax phase in was granted for this investment. A seven year tax phase in was granted for the \$6.7 million equipment investment, while one year was granted for the investment of \$200,000 in special tooling. This is a new company in Allen County and has added 66 positions and more than \$2.5 million in annual payroll.

Since 1996, American Mitsuba Corporation (formerly CME Automotive Corp) has resided in Monroeville. In 2012 American Mitsuba went before the Monroeville Town Council for approval of tax phase in of more than \$8.5 million in improvements to the building and new equipment. In July, a one year special tooling tax deduction was granted for the special tooling. And, 10-year tax phase ins were granted for the 75,000 square foot addition and new manufacturing, R&D, logistical, and IT equipment. American Mitsuba reported 268 employees with annual payroll of more than \$9.5 million. The investment gave them the opportunity to add 25 positions and another \$643,750 in payroll.

In August, JCR Enterprises / JCR Automation was approved for five year phase in of \$200,000 in the addition of 9,000 square feet to the building and three year phase in of \$300,000 in new fabrication and machining equipment. JCR is located east of New Haven on Ryan Road and adjacent to SDI LaFarga. JCR processes a product line for the high speed progressive die stamping industry. The operation employs 13 full time and 3 part time positions. This investment made it possible for JCR to hire 4 additional employees bringing their total annual payroll to \$650,000.

The last tax phase in granted in the county was approved in New Haven in October to Glaze Tool and Engineering. Glaze T&E is a tool and die shop serving the needs of the automotive, food, medical, and heavy equipment industries. They are located on Summit Street. A five year tax phase in of an \$185,000 investment in two new super speed vertical machine centers was granted. The investment created three new positions which brought the total count to 26 full time positions.

All in all, these eight businesses planned to invest more than \$21.62 million in the local community, of that, \$318,250 million will be devoted to Huntertown, \$185,000 in New Haven, and \$7.89 million in Monroeville.

**EMPLOYMENT**

Employment creation levels for the 2012 tax phase in applicants are considerably lower than the 2011 created jobs. This can be attributed to the amount of larger companies and new companies that submitted projects in 2011. In 2011 BF Goodrich and Vera Bradley (just 2 of the 16 projects in 2011) announced projects whose employment levels showed more than 2,400 jobs retained. In 2012 the eight companies approved for tax phase in combined to total 506 retained jobs and 183 jobs to be created. Table 3 breaks down the employment projections for each individual company.

**Table 3**

Company	Retained	Created
Parkview (Ortho NE)	86	18
Parco, Inc.	13	4
Precision Laser Services	24	3
Exel Inc.	79	60
Crown / Android	na	66
American Mitsuba	268	25
JCR Automation	13	4
Glaze Tool	23	3

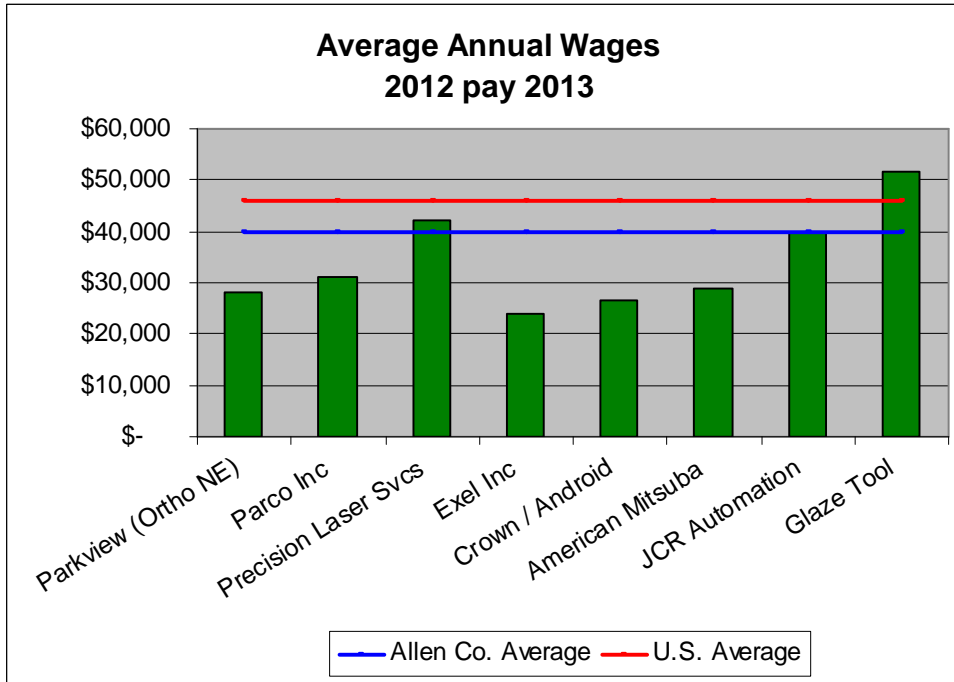
Another aspect of business expansion that is of interest is the quality of the jobs created and retained. An objective of economic development is to increase the average wage paid to workers which is often translated into an increase in the quality of life for citizens. The average annual wage for Indiana in 2012 was \$41,240<sup>3</sup> and the national average was \$45,790<sup>2</sup>. The average for Allen County was just below the state average and well below the national average at \$39,798<sup>3</sup>.

Figure 1 demonstrates how the average annual wages paid by the companies approved for tax phase-in in 2012 compare to the U.S. and County averages. In 2012 companies applying for tax phase in now use an updated application. Page 2 of the application asks companies to use job codes provided by the Occupational Employment Statistics website. This website breaks down job descriptions by an occupation code and enables companies to be more specific when listing new and/or retained employment. It also gives the county a better understanding of a company’s wages compared with average annual wages in Fort Wayne, Indiana. Because a majority of the criteria on the application for tax phase in is job numbers and salaries, county staff can reward points on specific information instead of consolidating all jobs together and averaging the salaries. It is a more effective and precise way of making sure companies are rewarded points correctly.

<sup>2</sup> Bureau of Labor Statistics [http://www.bls.gov/oes/current/oes\\_nat.htm#00-0000](http://www.bls.gov/oes/current/oes_nat.htm#00-0000)

<sup>3</sup> STATS [http://www.stats.indiana.edu/uspr/a/us\\_profile\\_frame.html](http://www.stats.indiana.edu/uspr/a/us_profile_frame.html)

Figure 1



**COMPLIANCE FORMS**

By the end of May 2013, 34 companies submitted a Compliance with Statement of Benefits form (CF-1) for 2013 Payable 2014 documenting the extent to which they have followed through with their original investment and employment projections. These forms must be filed annually to receive the actual tax deductions. Table 4 shows the percentages of the total numbers companies submitted regarding investment, jobs, and salary compliance. The current policy for Allen County states companies must be at least 75% compliant in one of the three categories.

Table 4

	Real Property	Percentage Met	Personal Property	Percentage Met
<b>Investment</b>	\$ 210,397,110	145%	\$ 392,881,432	113%
	Jobs Retained	Percentage Met	Jobs Created	Percentage Met
<b>Jobs</b>	16,592	97%	4,479	274%
	Salaries Retained	Percentage Met	Salaries Created	Percentage Met
<b>Salaries</b>	\$ 1,035,224,261	99%	\$ 334,788,273	368%

As the economy has began to slowly recover, companies who before may have fallen short on their projected numbers on their Statement of Benefits, began to hire back and/or create new jobs and payroll within the past year.

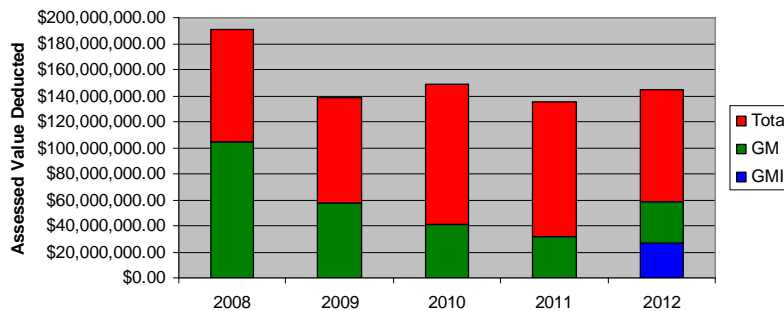
## BREAKDOWN OF DEDUCTIONS

The actual deductions received in 2013 indicate the impact tax phase in has on the current tax revenue for Allen County. For the 2012 Payable 2013 year, approximately 73 deductions were granted to companies in Allen County totaling \$145,096,635 of assessed value. The companies saved approximately \$3 million, but still paid more than \$11.6 million in property taxes in 2013. Attachment A includes a detailed list of the deduction amounts, taxes saved, and taxes paid for each company.

Figure 2 below shows the amount of true tax value deducted for tax phase ins for the past five years. The red bars indicate the total amount deducted in a given year. The green bars show how much of the total tax deductions belong to General Motors, which has been and continues to be by far the largest beneficiary of the tax abatement program. Added this year, as seen in the blue bar, is General Mills (RG-Fort Wayne) who has started receiving deductions based on the \$36 million project from 2011. BF Goodrich, IOM Health Systems (better known as Lutheran Hospital), and Vera Bradley are also large beneficiaries of the program.

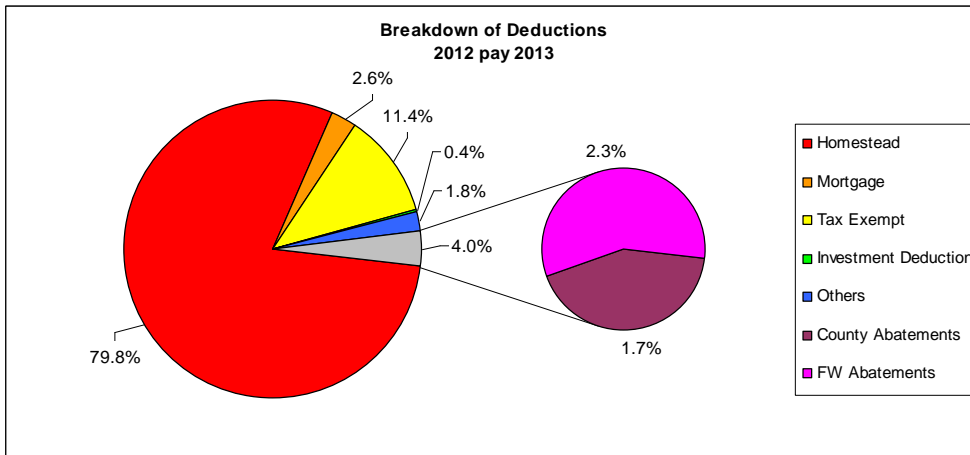
The amount deducted for General Motors has started to decrease from 2008 thru the present because of the depreciation of equipment. The total amount of deductions also decreased, by almost \$50 million in 2009 due to a number of old phase ins winding down or ending. Newer companies designated for tax deductions from 2008 on, have begun to receive their deductions.

Figure 2



Phasing in of taxes is generally the only form of assistance available to existing businesses. When compared to the volume of other tax deductions available to other property owners, tax phase in is a diminutive piece of the pie which is demonstrated in Figure 3 on the following page. This breakdown of deductions does include values for the City of Fort Wayne for the purpose of showing the magnitude of the impact of tax phase in throughout the entire county. The secondary pie is meant to demonstrate the size of the City's program in comparison to the County's. Combined, the city and county had tax deductions totaling \$312.9 million. However, a majority of businesses are located within the city limits of Fort Wayne. Homeowners benefited from approximately \$7 billion in deductions in 2012 payable 2013. Changes made by the General Assembly in 2008 allowed for additional homeowner deductions and credits as well as caps on tax rates.

**Figure 3**



### **TAX ABATEMENT DEVELOPMENT FUND**

The Tax Abatement Development Fund was established in 1992 and is funded through contributions from companies receiving tax phase in. The fund was intended to be used as a resource to supplement future economic development projects. To date, the fund has been used on three occasions; most recently, in 2013 approximately \$420,500 was used for efforts in the Allen County Redevelopment Commission's Land Banking Program and work on the Bandelier Drain.

Going forward, the fund will likely be used as another resource for controlling land and certifying shovel-ready sites as well as continuing to be a source for supplemental funding of other economic development projects. The additional use of this fund for shovel-ready sites was added as a result of the changes made to the County Council's Tax Abatement Policy. The other change to the fund was the decrease in percentage of savings contributions to be made by those companies receiving an abatement deduction from twenty percent (20%) and ten percent (10%) to ten percent (10%) and five percent (5%).

Since 1994, 48 companies have voluntarily contributed \$1,155,788. The balance of the fund as of November 1, 2013 was \$76,030.55, which includes principal and interest and accounts for the disbursements.

**Table 5**

<b>Year</b>	<b>Total</b>
1994 pay 1995	\$6,988
1995 pay 1996	\$21,908
1996 pay 1997	\$30,590
1997 pay 1998	\$49,649
1998 pay 1999	\$54,008
1999 pay 2000	\$51,706
2000 pay 2001	\$27,917
2001 pay 2002	\$43,024
2002 pay 2003	\$25,801
2003 pay 2004	\$43,693
2004 pay 2005	\$47,127
2005 pay 2006	\$45,619
2006 pay 2007	\$95,518
2007 pay 2008	\$140,222
2008 pay 2009	\$134,494
2009 pay 2010	\$124,578
2010 pay 2011	\$97,071
2011 pay 2012	\$57,940
2012 pay 2013	\$57,935
<b>TOTAL</b>	<b>\$1,155,788</b>

For the 2012 Payable 2013 tax year, sixteen of the companies receiving tax phase in had committed to contributing a percentage of their tax savings back to the County (see Table 6). Of the 16 companies, 12 actually sent in their contributions. Fortunately, two more of the eight companies approved for tax phase in 2012 did elect to participate in contributing to the fund once they begin receiving their tax deduction.

**Table 6**

<b>Company</b>	<b>Contribution</b>	<b>Company</b>	<b>Contribution</b>
Vera Bradley Designs	\$ 23,954	Terex Advance Mixer	\$ 350
Breast Diagnostic Center, LLC	\$ 330	Parker Hannifin	\$ 467
JKBC Properties/St Joe Med	\$ 660	OmniSource Corp	\$ 1,633
Yost/Saratoga Potato Chips	\$ 5,654	Feenix, LLC	\$ 4,861
Precision Laser	\$ 109	GAO Park	\$ 761
IOM Health/Lutheran Hosp	\$ 18,547	Waterfurnace International	\$ 609
Summit Foundry Systems	DNC	Ash Realty Group	DNC
Allied Building Co.	DNC	Apollo Design Technology	DNC
		<b>Total:</b>	<b>\$ 57,935</b>

\*DNC = Did not contribute



## **CONCLUSION**

The Allen County tax phase in program still remains a viable resource for attracting and retaining local businesses. Its impact on tax rates is minimal but justified in the fact that the new investment will eventually benefit not only the taxing units it supports but the potential for job creation which benefits all citizens in Allen County. In light of questions about the program's efficacy, the updates made in August 2008 and December 2011 to the County Council's policy will hopefully increase accountability while maintaining the business friendly atmosphere in Allen County.

## Attachment A (2012 pay 2013)

COMPANY	Total Deduction	Total Saved	Taxes Paid
Allied Building Co (NeuroSpine Pain Ctr)	\$ 2,744,840	\$ 88,625	\$ 206,869
American Mitsuba Corp	\$ 693,870	\$ 20,317	\$ 260,560
Apollo Design Technology	\$ 431,920	\$ 11,482	\$ 48,239
Ash Brokerage/Realty Group	\$ 164,660	\$ 3,068	\$ 59,948
Asphalt Drum Mixers	\$ 190,750	\$ 5,001	\$ 49,782
Bailey Enterprises, LLC	\$ 238,990	\$ 4,757	\$ 15,163
Breast Diagnostic Center	\$ 68,080	\$ 1,649	\$ 6,287
BS Land / One Resource Group	\$ 2,096,090	\$ 41,725	\$ 20,825
C&M Fine Pack	\$ 5,290,310	\$ 98,585	\$ 435,982
Cedar Creek Inv / AVI Foodsystems	\$ 445,200	\$ 13,408	\$ 660
Central States Enterprises Inc.	\$ 1,714,240	\$ 51,626	\$ 586,096
Continental Diamond Tool Corp	\$ 123,020	\$ 3,705	\$ 5,841
CSC Indiana LLC	\$ 1,027,450	\$ 30,692	\$ 30,693
DeBeere / DeBrand	\$ 224,510	\$ 6,830	\$ 7,745
Double B Property/PPI DurEquip	\$ 321,340	\$ 9,677	\$ 18,998
Gator Cases Inc.	\$ 88,470	\$ 2,258	\$ 1,411
GAO Park / Allen Fabricators	\$ 390,880	\$ 7,611	\$ 31,697
General Motors	\$ 31,950,100	\$ 635,999	\$ 4,676,734
Grabill Country Village	\$ 677,590	\$ 17,294	\$ 4,987
Great Dane Realty LLC/ Vera Bradley	\$ 1,086,830	\$ 21,634	\$ 26,067
Hercules Machinery/Innovative Piledriving	\$ 195,400	\$ 5,885	\$ 18,160
IOM Health Systems/Citadel/FW Oncol	\$ 3,012,460	\$ 97,266	\$ 131,078
IOM Health Systems LP/Lutheran Hosp	\$ 5,744,135	\$ 185,467	\$ 2,974,594
Inverness Pointe/Petroleum Traders	\$ 1,024,560	\$ 33,081	\$ 41,888
JKBC Properties, LLC/St Joe Med Grp	\$ 437,940	\$ 13,189	\$ 23,911
Larson Financial Group LLC	\$ 13,120	\$ 244	\$ 178
Michelin N America / Uniroyal Goodrich	\$ 30,393,670	\$ 525,051	\$ 816,073
OmniSource Corp	\$ 438,040	\$ 8,163	\$ 99,016
Parker Hannifin Corp	\$ 155,220	\$ 4,675	\$ 124,621
Parkview Health System/Feenix LLC	\$ 2,007,420	\$ 48,612	\$ 63,085
Precimed / Greatbatch Medical	\$ 3,384,300	\$ 64,366	\$ 11,135
Precision Laser Services Inc	\$ 82,890	\$ 2,173	\$ 12,400
Press Seal Gasket / Skinner Properties	\$ 344,220	\$ 10,953	\$ 173,696
Primco	\$ 324,300	\$ 6,923	\$ 5,890
QuikCut Inc	\$ 109,890	\$ 2,441	\$ 16,002
Quincy Recycle	\$ 582,200	\$ 17,391	\$ 6,741
R3 Composites Corporation	\$ 20,040	\$ 342	\$ 6,242
RG-Ft Wayne / General Mills	\$ 26,442,700	\$ 514,866	\$ 23,813
RJH Park	\$ 58,480	\$ 1,139	\$ 6,463
RMI Properties / Riverside MFG	\$ 236,510	\$ 6,200	\$ 28,800
Romines BA Sheetmetal	\$ 42,200	\$ 771	\$ 8,475
Saratoga Potato Chips / Yost Holdings	\$ 3,034,120	\$ 56,541	\$ 35,873
Summit Foundry / Richard Meyer	\$ 332,080	\$ 10,001	\$ 26,367
SDI LaFarga LLC	\$ 4,764,300	\$ 84,967	\$ 12,933
Terex Advance Mixer	\$ 184,000	\$ 3,499	\$ 12,956
Uniroyal / BF Goodrich Tire	\$ 504,310	\$ 8,712	\$ 244,394
Vera Bradley Designs	\$ 10,946,480	\$ 217,901	\$ 181,591
Waterfurnace International Inc	\$ 312,510	\$ 6,082	\$ 17,755
<b>Totals:</b>	<b>\$ 145,096,635</b>	<b>\$ 3,012,844</b>	<b>\$ 11,618,714</b>