

LEGISLATIVE SURVEYS

The Enterprise Zone Community Development Act of 1993—H.R. 15, Urban Enterprise Zones: Do or Die Legislation for Our Nation's Cities

I. Introduction

Over the past few decades, our nation's cities have experienced a steady decline.¹ This urban malaise is partially attributable to the federal government's consistent inability to enact comprehensive urban aid legislation.² Consequently, urban centers nationwide have been plagued by increases in crime, unemployment, and welfare burdens, coupled with decreases in jobs, manufacturing, and tax revenues.³

Federal enterprise zone legislation has often been characterized as a pragmatic first step towards a long term solution to the difficulties of our nation's urban regions.⁴ The general purpose of urban enterprise zones (EZ's) is to attract investment and employment opportunities to economically troubled areas by offering tax, monetary and regulatory benefits to those businesses

¹ 138 CONG. REC. S6991 (daily ed. May 20, 1992) (statement of Sen. Lieberman (D-Conn.)).

² 126 CONG. REC. H9707 (daily ed. May 1, 1980) (statement of Rep. Kemp (R-N.Y.)). Kemp declared that:

[g]overnment has since the 1960's produced an array of imaginative programs for the inner city. While some achieved acceptable results, many of these programs became part of the problem. Who can forget urban renewal, which bulldozed gaping holes in our urban areas? What about "model cities" and "new towns"—now ghost towns— programs which achieved remarkably forgettable results?

Id.

³ Lewis D. Solomon & Janet Stern Solomon, *Enterprise Zones, Tax Incentives and the Revitalization of Inner Cities: A Study of Supply Side Policy-Making*, 3 DET. C.L. REV. 797, 799 (1981). Specifically, this article found that what remains are "[t]he now familiar characteristics of the economic erosion of urban America: chronically high unemployment, sluggish economic growth, a declining tax base, and a smaller less affluent group of residents who bear the rising tax rates." *Id.* The far-reaching consequences of such a decline do not end here, for "[c]ities are forced to cut back basic services which, in turn, leads to a further decline in the inner city. . . [f]ew, if any new business are born in these areas." *Id.*

⁴ See John R. Cranford, *Bentsen Forestalls Efforts to Derail Urban Aid Bill*, CONG. Q. 2435 (Aug. 15, 1992).

choosing to remain in or relocate to a designated EZ.⁵

Although the general consensus in Congress is that EZ's deserve a chance, disagreement exists over both the number of EZ's to implement, and the salient features necessary for their continued success.⁶ Numerous EZ programs currently exist on the state and local levels, but the United States Congress had been unable to pass federal EZ legislation for over a decade, due to this disagreement over its fundamental scope.⁷ However, the recent rioting in Los Angeles, California has infused new life into the EZ debate.⁸ This tangible manifestation of the problems faced by our nation's cities has impressed upon Congress that now more than ever, there is an urgent need for EZ legislation.⁹

Consequently, one of Congress' last acts of 1992 included passage of a \$27 billion omnibus tax bill, H.R. 11, which included \$2.6 billion in tax breaks allocated to urban enterprise zones.¹⁰ However, consistent with the predictions of many Washington insiders, President George Bush vetoed the bill.¹¹ Cognizant of his contention that the revenue provisions in H.R. 11 amounted to tax increases, Congress allowed Bush to delay consideration of the bill until after Election Day.¹² Despite this tactic, the President still vetoed the bill.¹³ Furthermore, the veto of H.R. 11 could not be overridden because the Congressional session in

⁵ See Michael Allan Wolf, *Setting the EZ Record Straight: What Can We Learn from the States?*, 42 TAX NOTES 1657 (Mar. 27, 1989).

⁶ See Rochelle L. Stanfield, *Battle Zones*, 24 NAT'L J. 1349 (June 6, 1992).

⁷ Jill Zuckman, *Enterprise Zone Alchemy: '90s-Style Urban Renewal*, CONG. Q. 2354 (Aug. 8, 1992).

⁸ Jill Zuckman, *Aid Bargaining is Now Centered on Enterprise Zones for Cities*, CONG. Q. 1605-06 (June 6, 1992).

⁹ *Id.*

¹⁰ David S. Cloud, *Senate Sends \$27 Billion Bill Straight for a Veto*, CONG. Q. 3132 (Oct. 10, 1992). The Senate voted 67-22 in favor of the bill on October 8, 1992. The House had approved it on October 6, 1992, by a vote of 206-202. *Id.*

¹¹ Joan Pryde, *Bond Exemptions Remain Suspended as Bush Vetoes Urban Aid Bill*, BOND BUYER, Nov. 5, 1992, at 3. President Bush vetoed the bill on November 4, 1992. *Id.* In his veto message, Bush stated that, "[t]he bill's benefits are overwhelmed by provisions that would endanger economic growth. It includes numerous tax increases, violates fiscal discipline, and would destroy jobs and undermine small business." *Id.*

¹² Clifford Krauss, *Bush Vetoes Tax Bill With Urban Aid*, N.Y. TIMES, Nov. 5, 1992, at A22. The article notes that, "[c]ongressional leaders delayed sending the bill to the President in the hopes that he might change his mind and sign it once it was no longer a campaign issue." *Id.*

¹³ *Id.*

which the bill was introduced had ended.¹⁴ Despite this, a substantially similar version of H.R. 11 was introduced when Congress reconvened on January 5, 1993.¹⁵ Congress was expected to act quickly on H.R. 15, which embodies the substantive provisions of last year's H.R. 11.¹⁶

This survey will examine the controversy surrounding the passage of federal EZ legislation. Particularly, it will illustrate the problems Congress has faced in attempting to enact EZ's on a national level. Next, it will examine EZ programs that currently exist on the state level. Finally, the current status of the most recent Congressional legislation containing EZ terms, H.R. 15, will be explored.

II. Legislative History

A. *The Urban Decline*

The decline of our nation's cities can be traced in part to the realignment of our economy from a manufacturing to a service base.¹⁷ Suburban growth skyrocketed in the 1960s, aided immensely by federal infrastructure, tax and transportation policies that heavily favored suburban expansion.¹⁸ The trend escalated in the 70s and 80s.¹⁹ The federal government's suburban-oriented stance resulted in a gradual erosion of the urban tax base and the departure of manufacturing and industry.²⁰ In an effort to ameliorate this downturn, Congress has been attempting to enact federal enterprise zone legislation since 1980.²¹

¹⁴ Reuters, Limited, *Bush Vetoes \$27 Billion Tax Bill*, Nov. 4, 1992, AM Cycle [hereinafter *Bush Vetoes*].

¹⁵ Special Report, *Legislative Agenda: Congress Poised to Act on Clinton Plan*, DAILY REP. FOR EXECUTIVES, Jan. 8, 1993, at 5.

¹⁶ *Id.* Many base this prediction on "the pent up energy of House and Senate Democrats, who after 12 years of Republican White House rule are eager to enact a host of tax initiatives that in the past have fallen victim to partisan politics." *Id.*

¹⁷ Solomon & Solomon, *supra* note 3.

¹⁸ David Judson, *With Focus on Suburban Voters, Cities Struggle for Attention*, GANNETT NEWS SERVICE, Sept. 23, 1992.

¹⁹ *Id.*

²⁰ See generally Zuckman, *supra* note 7.

²¹ 138 CONG. REC. S6991 (daily ed. May 20, 1992). Congress has specifically found that:

(1) the crisis of poverty and high unemployment in America's inner cities and rural areas demands an appropriate and timely response from Congress; (2) manufacturing and industry has largely disappeared from

Although EZ programs have existed at the state level for over a decade, they originated in England in 1978.²² Two years later, the concept was imported to the United States, and adapted for application to neighborhoods and small businesses.²³ While debating the passage of EZ legislation, Congress considered the viewpoints of numerous supporters, both conservative and liberal.²⁴ Overall, EZ legislation has garnered wide support.²⁵ However, many commentators caution that federal EZ's should be enacted on an experimental basis only, and that current state programs should be carefully scrutinized in order to avoid duplicate mistakes.²⁶

many U.S. inner cities which, in turn, led to the severe decline in good high-wage jobs, wholesale trade, retail businesses, and a large source of local tax revenues; (3) encouraging small and medium-sized businesses, which create the majority of new jobs in the U.S. economy, to locate and invest in poor neighborhoods is one of the keys to revitalizing America; (4) enterprise zones will help convince businesses to build and grow in poor neighborhoods; they will give people incentives to invest in such businesses and to hire and train both unemployed and economically disadvantaged individuals; they will create jobs and stimulate entrepreneurship and they will help restore the local tax revenue base to these communities.

Id.

²² Zuckman, *supra* note 7, at 2355. The term "enterprise zone" originated in England in 1978 to identify a plan to redevelop certain industrial areas in the East End of London. *Id.*

²³ *Id.*

²⁴ 138 CONG. REC. S6994 (daily ed. May 20, 1992). Included in the record were the observations of Paul Pryde, a Washington economic consultant, who declared that:

[t]he first thing we know is that most new jobs come not from the corporate giants but from the creation and expansion of small local firms. The second thing we know is that businesses form, locate and expand on their ability to attract risk capital. The problem. . . is inability to attract private capital. And the cure. . . is incentive.

Id. (quoting William Rasberry, *Change One Tax*, WASH. POST, May 6, 1992). Furthermore, it was observed that the nation's cities "need the values that conservatives prescribe and the economic programs that liberals advocate." *Id.* (quoting Richard Cohen, *Even A Liberal Is Ready*, WASH. POST, May 8, 1992).

²⁵ 138 CONG. REC. S6993 (daily ed. May 20, 1992). During these debates, Congress opined that "[t]here is already broad bipartisan support for enterprise zones. Both Democrats and Republicans, liberals, and conservatives who appreciate the problem of the inner cities know that economic growth—economic empowerment—is the answer." *Id.*

²⁶ Wolf, *supra* note 5. According to Wolf, we must "take care to avoid the rhetoric and ideological distractions that attended the original versions of EZ's. . . when zones were offered as a supply-side showcase, a panacea for the nation's pockets of

B. *Proponents and Detractors Alike Speak Out*

While there is general agreement within governmental and political spheres that our nation's cities are in need of resuscitation, many believe that federal EZ legislation is not the solution, contending that EZ's are merely another policy resulting in the "shoring up of blighted urban areas."²⁷ Opponents of EZ's also argue that mere pecuniary incentives alone are not enough, and that legislation of this nature must also improve "human capital" in order to be effective.²⁸ Indeed, H.R. 11, the EZ program that won Congressional approval and was later vetoed by Bush, was encompassed within a major omnibus tax bill. As such, it bore little resemblance to the original urban aid package that had been introduced in Congress.²⁹ Finally, detractors challenge the implementation of federal EZ's due to the scant amount of empirical research manifesting their efficacy.³⁰ Few attempts have been made on the state level to institute a cost-benefit analysis, or to separate the progress attributable to EZ's from general economic development.³¹

poverty and distress." *Id.* at 1659. In furtherance of this stance, Wolf suggests that Congress should avoid the mistakes of the states. *Id.* This may be accomplished by competing for a restricted number of federal EZ classifications, keeping the number of EZ's manageable, monitoring and studying the effects of zone designation both inside and outside zone boundaries, and maintaining the restraints on job piracy similar to those in Title VII (prohibition of assistance for business relocations) in order to truly create new jobs, and not merely shift employment from one location to another. *Id.*

²⁷ Zuckman, *supra* note 7. EZ's are thus analogized to previously failed programs, such urban renewal, where the federal government cleared vast ghettos for private development projects, and Urban Development Action Grants (UDAG), which dispensed funds to businesses on a project-by-project basis. *Id.*

²⁸ *Id.* Representative Bill Grandison (R-Ohio) argues that EZ's will not improve the nation's cities, declaring that "[u]ntil we improve the quality of education, health care and job training, the buildings are not going to make a difference." *Id.* at 2355.

²⁹ *Special Report - Partisanship, Purse Strings Hobbled the 102nd, CONG. Q.* 3479 (Oct. 31, 1992). The enterprise zones provisions ultimately passed by Congress were characterized as "[a] small demonstration proposal of the enterprise zone idea to give tax breaks to businesses willing to locate in blighted urban areas. That proposal was tacked onto a controversial tax bill." *Id.* at 3480.

³⁰ Zuckman, *supra* note 7. According to Chris Walker of the Urban Institute, a liberal think tank in Washington, D.C., "zone administrators credit everything that happens in the zone to the zone. . . and that's deeply flawed." *Id.*

³¹ Marilyn Marks Rubin, Ph.D. & Edward J. Trawinski, Comment, *New Jersey's Urban Enterprise Zones: A Program That Works*, 23 *URBAN LAW.* 461, 463 (Summer 1991).

Conversely, EZ supporters were optimistic upon the passage of H.R. 11, realizing that the final product was the result of endless compromise.³² Therefore, they viewed the EZ provisions within H.R. 11 as a significant breakthrough in terms of urban aid legislation.³³ However, not all who voted for the provisions did so with such unwavering support.³⁴ Many viewed them as barely having the capacity to scratch the surface of the problem.³⁵ Given this hesitation, it seems apparent that the EZ provisions earned votes in part from supporters who saw the provisions as merely better than maintenance of the status quo.³⁶

C. *The Decade Long Debate*

The Urban Jobs and Enterprise Zone Act of 1980 was first introduced in the House of Representatives on May 1, 1980 [hereinafter 1980 Act].³⁷ The 1980 Act, introduced by Housing and Urban Development (HUD) Secretary for the Bush Administration, Jack Kemp, espoused an "empowerment" approach.³⁸ This Act stressed the importance of reducing taxes, regulations and other Government burdens to economic activity as a means of revitalizing depressed urban areas.³⁹ Its main proposals fo-

³² 138 CONG. REC. S17,685 (daily ed. Oct. 8, 1992) (statement of Sen. Roth R-Del.).

³³ *Id.* Following passage by both the House and the Senate, Senator Roth opined that "this is an important transformation in public policy after years of passing social programs that cause government reliance and dependence, many of which have not worked." *Id.* at S17,685-01.

³⁴ 138 CONG. REC. S17,826-01 (daily ed. Oct. 8, 1992) (statement of Sen. Kerrey (D-Neb.)). Senator Kerrey expressed concern over both the long-term budget neutrality of the bill, and over the fact that "the measure does not authorize the kind of major investments in urban America that we so urgently need." *Id.*

³⁵ *Id.*

³⁶ Cloud, *supra* note 10. Representative Timothy J. Penny (D-Minn.), characterized the proceedings that led to the passage of H.R. 11 as "just a waste of time and a waste of effort." *Id.* at 3132.

³⁷ 126 CONG. REC. H9707 (daily ed. May 1, 1980) (statement of Rep. Kemp (R-N.Y.)).

³⁸ Stanfield, *supra* note 6. For a discussion of "empowerment," see *supra* note 44 and accompanying text. This article warns that "[b]oth interventionists and noninterventionists agree that some government regulations and policies have inadvertently increased the dependency on welfare and discouraged inner-city residents from improving their lives." *Id.*

³⁹ 126 CONG. REC. H9707 (daily ed. May 1, 1980). In promoting enterprise zones, Kemp declared that "[t]he essence of "supply side economics" is that people respond to rewards. Poor people are motivated in exactly the same way as the rest

cused on the reduction of various taxes.⁴⁰ Theoretically, this approach would have allowed the free market to dictate the success of enterprise zones.⁴¹

The same pervasive atmosphere of dissension that prevented Congress from passing the 1980 Act resulted in the demise of H.R. 11, which Ex-President Bush recently vetoed.⁴² This dispute focuses on the proper amount of government intervention needed to make EZ's work.⁴³ The conservative method emphasizes the "empowerment" approach, which postulates an empowered EZ population achieved through less government intervention.⁴⁴ Therefore, this stance emphasizes tax breaks and, to some degree, fewer government regulations.⁴⁵ Conversely, liberal politicians and some administrators of state and local EZ's back a hands-on approach that would concentrate not only on pecuniary interests, but also include numerous community development plans.⁴⁶ Beyond this elemental discord, disagreement existed over the proper number, and types, of incentives to be included.⁴⁷ Significantly, many questioned the selection processes included in the bill, feeling it would lead to unfair EZ designations.⁴⁸

D. *Current State EZ Programs*

Despite the fact that the debate over federal enactment of

of the Nation. By restoring incentives, rewards, enterprises, and jobs, we can contribute to the tax base of our cities and communities, and help restore some hope and productivity to people's lives." *Id.*

⁴⁰ *Id.* Namely, the 1980 Act would have reduced social security taxes, the capital gains tax rate, business tax rates, and it would have increased straight-line depreciation deductions. *Id.*

⁴¹ *Id.*

⁴² *Bush Vetoes, supra* note 14.

⁴³ Stanfield, *supra* note 6.

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.* Stanfield states, "[t]he government. . .needs to help establish a network of support to help the poor make the leap into the mainstream." *Id.* at 1348.

⁴⁷ Zuckman, *supra* note 7.

⁴⁸ Johnathan Glater, *Enterprise Zones Snub California - If Current Bills Left Unchanged, Many Poor Cities May Not Qualify*, S.F. CHRON., Aug. 19, 1992, at B1. Critics feel that the selection process is geared towards East Coast urban centers. Consequently, they assert, many of the neediest cities may be overlooked. Ironically, Los Angeles could end up being one of the cities bypassed by the current selection processes. *Id.*

EZ's spans a decade, numerous state governments have successfully enacted EZ legislation.⁴⁹ EZ procedures and provisions vary from state to state.⁵⁰ However, certain inducements are customary, such as decreased local property taxes and utility rates, sales tax exemption on construction materials and a reduction of retail sales tax on goods sold within an EZ, annual income tax credits for each new employee brought to an EZ, and loans and loan guarantees.⁵¹ New Jersey's legislature first enacted an EZ program in 1983.⁵² The program's basic purpose is to stimulate economic activity within zones through job creation and the investment of private capital.⁵³ A series of incentives were created in an effort to lure new businesses to an EZ, or to persuade existing businesses to remain in an EZ location.⁵⁴ Additionally, a business located within an EZ may be eligible for reduced utilities rates and government-funded job training programs.⁵⁵ New Jersey had designated eleven EZ's throughout the state,⁵⁶ and it recently created four additional zones.⁵⁷ These zones have resulted in a great deal of criticism from the neighboring state of New York.⁵⁸ Opponents caution that in addition to creating an

⁴⁹ *Morning Edition: "Enterprise Zones" Answer to Cities' Woes* (National Public Radio Broadcast, May 5, 1992). Currently, 38 states have some form of enterprise zone program. *Id.*

⁵⁰ Ron Scherer, *Incentives Touted to Revive Cities*, CHRIST. SCI. MON., Aug. 20, 1992, at 12. Selection processes are just one example of the lack of uniformity among the state programs. New Jersey is fairly representative in this respect, employing a competition method in which all potentially eligible cities participate. However, states such as Arkansas and Louisiana have elected to include all qualifying cities in their programs. *Id.*

⁵¹ Zuckman, *supra* note 7.

⁵² N.J. STAT. ANN. § 52:27H-60 (West 1986).

⁵³ N.J. STAT. ANN. § 52:27H-62 (West 1986).

⁵⁴ *Id.* §§ 52:27H-75-80. Such incentives include partial credits to an employer's unemployment insurance payments, corporation business tax exemptions, employee tax credits, and sales and use tax exemptions. *Id.*

⁵⁵ Rubin & Trawinski, *supra* note 31, at 465.

⁵⁶ Charles Strum, *Few Shoppers Say 3% Lures Them to New Jersey*, N.Y. TIMES, Nov. 28, 1992, at A25.

⁵⁷ *Id.* The new EZ's are located in sections of Elizabeth, Jersey City, Orange and Kearny.

⁵⁸ Pat Wechsler, *NJ Slashes Sales Tax; NY Balks; Rate is Cut to Three Percent in Four of its Cities*, NEWSDAY, Nov. 26, 1992, at 111. New York government officials have characterized New Jersey's most recent enterprise zone designations as "underhanded attempts to lure shoppers to New Jersey by offering a lower sales tax on most durable goods. *Id.* Furthermore, New York tax officials view the tax breaks as a form of tax evasion. *Id.*

adverse “ripple” effect in adjoining communities, the EZ’s targeted retailers, small neighborhood businesses, are not receiving the benefits of EZ incentives.⁵⁹ Few empirical studies analyzing EZ effectiveness exist.⁶⁰ Despite this fact, such programs are considered by some to have had a somewhat positive effect on the economic status and morale of the EZ area.⁶¹

III. Current Status of H.R. 15

The Senate voted in favor of H.R. 11, a major omnibus tax act containing EZ provisions, on October 8, 1992, before its recess for the year.⁶² President Bush vetoed the bill on November 4, 1992.⁶³ Although Congress maintained that the bill was revenue neutral, Bush construed its revenue raisers as tax increases.⁶⁴ The substantive portions of H.R. 11’s EZ provisions resurfaced when Congress introduced H.R. 15 on January 5, 1993, the first day of its new Session.⁶⁵ H.R. 15 is currently being considered by the House Ways and Means Committee.⁶⁶

A. Purpose

The purpose of H.R. 15’s Title I—Urban Tax Enterprise Zones and Rural Development Investment Zones is to establish a demonstration program of providing incentives for the creation of tax enterprise zones in order to (1) revitalize economically and physically distressed areas, primarily by encouraging the for-

⁵⁹ *Id.* Critics note that “[a]mong the struggling downtown retailers that one might expect to benefit from such state subsidies, several large and profitable retail chains. . . also will be able to capitalize on the lower rate with stores already in place.” *Id.* at 111.

⁶⁰ Rubin & Trawinski, *supra* note 31, at 463.

⁶¹ See generally Gary Enos, *Renaissance Man; Mayor James Cultivates Newark’s Grand Revival*, CRAIN’S COMMUNICATIONS, Aug. 24, 1992, at 9. Newark’s EZ program is touted as especially successful. Credited with creating 3,015 jobs and \$829.5 million in private investment, the EZ program has been advanced as a critical aspect of the city’s revitalization efforts of the last decade. *Id.*

⁶² Cloud, *supra* note 10. The House had approved the bill two days earlier. *Id.*

⁶³ Pryde, *supra* note 11.

⁶⁴ *Bush Vetoes, supra* note 14. Bush declared that “the original intent of the bill—urban enterprise zones—has been lost in a blizzard of special interest pleadings.” *Id.*

⁶⁵ Special Report, *Legislative Agenda: Congress Poised to Act on Clinton Plan*, DAILY REP. FOR EXECUTIVES, Jan. 8, 1993, at 5.

⁶⁶ *Id.* Ways and Means Committee member Charles Rangel (D-N.Y.) introduced H.R. 15. *Id.*

mation of new businesses and the retention and expansion of existing businesses, (2) promote meaningful employment for tax enterprise zone residents, and (3) encourage individuals to reside in the tax enterprise zones in which they are employed.⁶⁷

B. Significant Provisions

All federal EZ provisions are encompassed within Titles I and II.⁶⁸ These Titles set forth numerous criteria that serve to guide in the selection and designation processes.⁶⁹ An area is designated as a federal EZ only upon review at the local, state and federal levels.⁷⁰ Limits to the number of urban tax enterprise zones designated exist both on an aggregate and a yearly basis.⁷¹ Population, distress, size, poverty level and proposed course of action are the eligibility criteria used in the designation process.⁷²

⁶⁷ H.R. 15, 103d Cong., 1st Sess. § 101 (1993) [hereinafter H.R. 15].

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.* § 1391(a). Under the designation procedure:

(a) the term "tax enterprise zone: means any area which is, under this part - (1) nominated by 1 or more local governments and the State in which it is located for designation as a tax enterprise zone, and (2) designated by - (A) the Secretary of Housing and Urban Development in the case of an urban tax enterprise zone."

Id.

⁷¹ H.R. 15, *supra* note 67. Altogether, 100 urban tax enterprise zones would be established over a seven year period. *Id.*

⁷² *Id.* § 1392(b)(1)(A-F). A nominated area which is not a rural area shall be eligible for designation under § 1391 only if it meets the following criteria:

(A) POPULATION - the nominated area has a population (as determined by the 1990 or subsequent census data) of not less than 4,000. (B) DISTRESS - the nominated area is one of pervasive poverty, unemployment and general distress. (C) SIZE - the nominated area - "(i) does not exceed 20 square miles, (ii) has a boundary which is continuous, or consists of not more than 3 noncontiguous parcels within the same metropolitan area, (iii) is located entirely within one State, and (iv) does not include any portion of a central business district (as such term is used for purposes of the most recent Census of Retail Trade)." (D) UNEMPLOYMENT RATE - The unemployment rate (as determined by the appropriate available data) is not less than 1.5 times the national unemployment rate. (E) POVERTY RATE - The poverty rate (as determined by the most recent census data available) for not less than 90 percent of the population census tracts (or where not tracted, the equivalent county divisions as defined by the Bureau of the Census for the purposes of defining poverty areas) within the nominated area is not

C. *EZ Incentives*

The major incentives offered by H.R. 15 are categorized as either employment credits or investment incentives provisions.⁷³ Qualified EZ employers would receive employment tax credits.⁷⁴ Among the investment incentives offered are accelerated depreciation, deduction for purchase of EZ stock, low-income housing credits, and ordinary loss treatment for certain property.⁷⁵ Many maintain, however, that because the legislation concentrates mainly on monetary incentives, it represents a mere first step towards a long-term solution.⁷⁶

IV. *Conclusion*

Many criticized Congress' final EZ product for being improperly focused on monetary incentives. However, the fact remains that the passage of H.R. 11 signified an important point of embarkation from which Congress can continue to build and implement its urban aid policy.⁷⁷ H.R. 11 represented the culmination of Congress' decade-long struggle to pass federal EZ legislation. For this reason alone, H.R. 11 symbolized a long overdue spirit of cooperation and compromise integral to the passage of further urban aid initiatives of lasting import. Moreover, some commentators predict that the current EZ bill, H.R. 15, will fare better than its predecessors.⁷⁸

Certainly, H.R. 15 is not a panacea designed to cure the numerous difficulties our nation's cities face. A continuous effort on the part of Congress is needed to effect a significant change in the status of our urban areas. Supporters of EZ's envision a greater spirit of harmony and unity from the Clinton Administra-

less than 20 percent. (F) COURSE OF ACTION - There has been adopted for the nominated area a course of action. . .

⁷³ *Id.* §§ 1394, 1396, 1397, 1397A.

⁷⁴ *Id.* § 1394.

⁷⁵ *Id.* §§ 1396, 1397, 1397A.

⁷⁶ 138 CONG. REC. S.17,826-01 (daily ed. Oct. 8, 1992) (statement of Sen. Kerrey (D-Neb.)). Senator Kerrey stated that "... a sustained, broad-based, innovative strategy for responding to the problem is required. This legislation constitutes only the very first steps of such a strategy, and this debate indicates that the consensus of opinion we need is only starting to form." *Id.*

⁷⁷ *Id.*

⁷⁸ Special Report, *Legislative Agenda: Congress Poised to Act on Clinton Plan*, DAILY REP. FOR EXECUTIVES, Jan. 8, 1993.

tion.⁷⁹ Clinton has consistently expressed his support for enterprise zones.⁸⁰ Indeed, President Clinton has included the designation of urban enterprise zones in his economic recovery plan.⁸¹ The fact that a Democratic Congress will be working with a Democratic President is also a fortuitous sign, possibly eliminating the stagnating effect of partisan politics. All of these factors indicate that if the proper chords of compromise are struck, Congress will be able to enact EZ legislation under the Clinton administration.

H.R. 15, if signed into law, will be effective if it becomes the starting point of a major legislative initiative to revive our nation's urban centers. The controversy that has surrounded H.R. 15 and its predecessors indicates that subsequent legislation building upon H.R. 15 will also be subject to an onslaught of criticism. Nonetheless, the fact that H.R. 11 was passed by Congress last year amidst such dissension is an encouraging sign of a future spirit of cooperation. Supporters of EZ legislation hope that this harmony will culminate in the passage of H.R. 15.

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⁷⁹ See generally April Hattori, *Clinton Adviser Sees Support for Reforming Public Finance Sector*, BOND BUYER, Nov. 17, 1992, at 2.

⁸⁰ Special Report, *Clinton's Program: Package of Tax Increases Reverses GOP Approach*, CONG. Q. 360 (Feb. 20, 1993). According to this report, Clinton will fulfill a campaign pledge to create enterprise zones in the nation's economically distressed areas. *Id.* at 364.

⁸¹ *Id.* President Clinton's enterprise zone program would result in: the creation of fifty enterprise zones in economically distressed areas of the country that would qualify for tax breaks and other federal assistance. Employers in the zones who hired zone residents would qualify for a twenty-five percent tax credit on the first \$15,000 in wages paid. In addition, employers who hired zone residents could claim a less generous incentive known as the targeted jobs tax credit. Businesses within the zone would be able to write off assets worth up to \$75,000 in the first year after purchase, rather than \$10,000. Other tax breaks would also be available. (Costs \$4.1 billion).

Id.