

## DEPARTMENT OF ECONOMIC DEVELOPMENT

### SUMMARY FOR THE LEGISLATIVE FILE

ORDINANCE NO: 1345-2023

#### **Summary of the Job Creation Income Tax Credit Incentive Program**

As an incentive for businesses to relocate and create new jobs within Cleveland boundaries, the City of Cleveland will offer a 50 percent refundable credit against a business's employer withholding tax for up to five years if that business creates at least 50 new jobs within City boundaries that earn 100 percent of City of Cleveland Median Household Income.<sup>3</sup> The purpose of this incentive is to attract new businesses and increase income tax collections through a simplified and financially sustainable tool for the Economic Development (ED) Department. This incentive will be available to all businesses meeting the criteria, given that they enter into an agreement with the City.

#### Key Elements:

The incentive comes in the form of a credit on the 2.5% income tax withheld by employers on behalf of employees. This incentive is funded through foregone new income tax revenue and will have no negative financial impact to the City's existing tax base.

Credits will be applied to all in-person jobs. Being sensitive to the job market, the City of Cleveland will extend this credit for businesses with hybrid workers who spend at least 60 percent of their working time within City boundaries; however, the withholding credit will only be applied against actual hours worked in the City. Businesses will be required to withhold employees' wages in compliance with Ohio Revised Code Section 718 and City of Cleveland Ordinance Chapter 192, accounting for where employees perform their work.

#### Baseline Terms:

A typical incentive deal will follow these basic guidelines:

- Required number of jobs: at least 50 jobs created in one year. All jobs counting towards this credit must earn at least 100% of the City's median household income.
- Credit (to remain the same for the length of the deal): 50% of all hours worked within City boundaries
- Length of Credit: Five (5) years

In addition to incentive terms, the following may also be required of a business, such as:

- Be in good standing with government entities (current on income / property taxes, utilities, code violations, fees; no instances of wage theft, etc.)
- Additional forms certifying new jobs meet or exceed 100% Median Income salary requirements.

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<sup>3</sup> 100% City Median Household Income defined as \$33,678 — according to Census statistics  
<https://www.census.gov/quickfacts/fact/table/clevelandcityohio/INC110221>