PRESS RELEASE

U.S. Congressman
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WORKING FOR WEST VIRGINIANS

FOR IMMEDIATE RELEASE
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RAHALL SIGNALS SUPPORT FOR ENTERPRISE ZONES BILL

WASHINGTON, D.C. -- U.S. Rep. Nick Rahall (D-WV) announced today that he has begun pushing a bill that calls for the implementation of enterprise zones, a concept that would provide tax incentives to businesses willing to locate in economically struggling areas.

"This legislation would give struggling economies a leg up," said Rahall. "As it stands now, it is not enough that West Virginia has the lowest crime rate in the nation and one of the most affordable economies. We have to bait the hook with incentives and the only way to do that in today's tight economy is through tax credits."

Rahall joins Ways and Means Committee Chairman Dan Rostenkowski (D-IL) who introduced the bill that would call for 25 zones to be set up nation wide with $20 million to be spent in federal incentives per zone. The legislation would also call for businesses to receive a 10 percent tax credit for hiring residents of a designated zone.

"By providing businesses with the incentives to relocate, we offer them a chance to find out just how many options they will have here in West Virginia," said Rahall. "We have learned how to open West Virginia's doors to the outside world, and now the next step must be to lure those who would be so inclined over our threshold."

Rahall noted that both Bluefield and Huntington had applied to the Department of Housing and Urban Development for consideration in setting up a free enterprise zone. He added that in 1986, the West Virginia state legislature passed a law that set up an Enterprise Authority charged with the implementation of free enterprise zones. Rahall hopes that with the renewed interest in the concept, West Virginia can get a jump on those other areas also competing in a federal program.

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RK- Brewster talked a lot last campaign about enterprise zones & her support thereof as help to So. W.Va. Let's do something P.R. wise to beat her to it this year

Enterprise Zones Get Surprise Backer

Rostenkowski's Change of Heart Bodes Well for a Kemp Measure

By Gwen Ifill
Washington Post Staff Writer

Two weeks ago, House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.) stunned a gathering of more than 200 mayors meeting in Chicago by telling them that the federal government has no help for them. All the money for domestic spending, he said, has been spoken for.

But a week later, Rostenkowski made a surprising reversal on an issue that could go a long way toward mollifying the urban leaders he angered that day. With little fanfare, he introduced legislation to create 25 enterprise zones designed to draw business to depressed areas by offering tax credits as a lure. Rostenkowski had blocked similar legislation for years, arguing that the cost of offering the federal tax incentives was prohibitive.

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His change of heart bodes well for a proposal that has been one of Housing and Urban Development Secretary Jack Kemp's favorite ideas since 1980, when, as a House member from New York, he introduced the first enterprise zone bill.

The idea, however, has had a checkered history, falling victim

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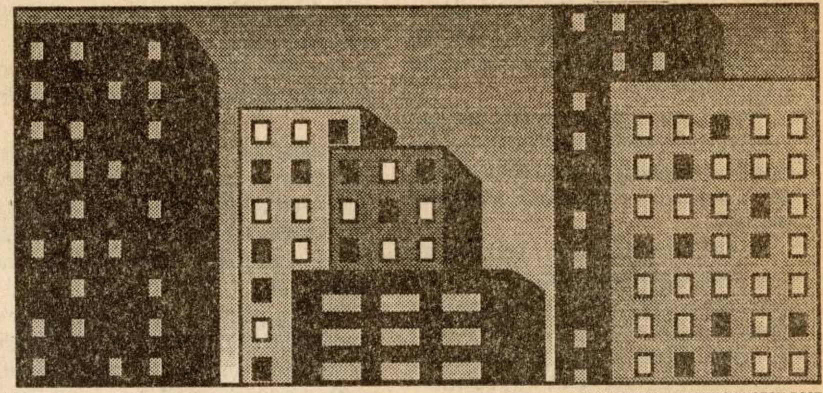
over the years to a host of ills, including partisan suspicions. Rep. Charles B. Rangel (D-N.Y.), for instance, liked the idea and is prime sponsor of one enterprise zone measure this year, but he didn't trust former HUD secretary Samuel R. Pierce Jr. to implement the program.

As measure after measure failed or was watered down, many cities and states created their own zones. Last year, Congress passed a version of the bill that created 100 zones nationwide—but included no tax break incentives. Kemp called the program "merely symbolic," and critics said that enterprise zones became glorified marketing tools that offered little to attract businesses.

But once the bill had tax credits attached, it encountered rough going because it first had to emerge unscathed from Rostenkowski's committee. Kemp complained last year in testimony before a House subcommittee that, in order to succeed, the measure needed "some teeth, some carrots." Kemp especially favors providing capital gains tax exemptions for businesses locating within a zone.



BY ERIN MAYES—THE WASHINGTON POST

Last year, Congress passed legislation that created 100 zones nationwide—but included no tax break incentives.

Rostenkowski's proposal—to the surprise of nearly everyone who has watched the measure's tortuous progress—now contains six separate tax incentives. But Rostenkowski has also placed a cap on the amount of tax breaks a zone can qualify for in a given year.

"They're tinkering in a constructive way with existing features in the tax code," said Dick Cowden, the executive director of the American Association of Enterprise Zones.

The proposal would also require local and state governments to contribute added resources in the form of crime protection, transportation or loans and grants to small businesses. Capital gains taxes on the sale of assets that are subsequently reinvested in the zone would be deferred and employers would receive a 10 percent tax credit for hiring residents of the designated zone.

"The more resources a state or local government was willing to dedicate to an area, the more likely that that area would be designated an enterprise zone and the more federal tax incentives that zone will receive," Rostenkowski said in a statement released as he introduced the measure.

Because it calls for only 25 zones and caps the tax spending at about $20 million in federal incentives per zone annually, Rostenkowski's approach is more limited than either Kemp's 50-zone measure or a bill introduced by Rangel last year that has garnered 214 co-sponsors, many of them members of Rostenkowski's committee.

A Ways and Means Committee aide said that Rostenkowski sees his enterprise zone proposal as one way to help cities who are being rebuffed in other budget areas this year.

"Even though the chairman is not philosophically supportive of using the Internal Revenue Code to address social problems, it's not an absolute position," the aide said. "We don't have any money to give the cities. Appropriating money for cities is just not popular up here."

Timothy L. Coyle, HUD's assistant secretary for legislative matters, said Kemp is now confident that HUD, Rangel and Rostenkowski will be able to fashion a compromise that includes the most useful elements of all three measures.

"More than anything else, we're encouraged to see the chairman enter directly into the dialogue on enterprise zones with a specific proposal," Coyle said.

Not everyone is satisfied, however, that the compromise will accomplish all it promises for cities. Analysts have predicted that the incentives could cost more in the first few years than they bring in. And city officials who have watched other urban development programs fall prey to the budget ax in recent years balk at a proposal that would create new burdens.

"It's very expensive, and how do you pay for it?" said Frank Shafroth of the National League of Cities. "Is this going to come at the expense of highways or housing or community development? We don't know."