

COMMUNITY DEVELOPMENT

Federal Revitalization Programs Are Being Implemented, but Data on the Use of Tax Benefits Are Limited

Why GAO Did This Study

Congress established the Empowerment Zone and Enterprise Community (EZ/EC) program in 1993 and the Renewal Community (RC) program in 2000 to provide assistance to the nation's distressed communities. To date, Congress has authorized three rounds of EZs, two rounds of ECs, and one round of RCs.

The Community Renewal Tax Relief Act of 2000 mandated that GAO audit and report in 2004, 2007, and 2010 on the EZ/EC and RC programs and their effect on poverty, unemployment, and economic growth. This report describes (1) the features of the EZ/EC and RC programs, (2) the extent to which the programs have been implemented, and (3) the methods used and results found in evaluations of their effectiveness.

What GAO Recommends

To facilitate the administration, audit, and evaluation of the EZ/EC and RC programs, we recommend that HUD, USDA, and IRS collaborate to (1) identify the data needed to assess the use of the tax benefits; (2) determine the cost-effectiveness of collecting these data; (3) document the findings of their analysis; and, if necessary, (4) seek the authority to collect the data, if a cost-effective means is available. HUD and IRS agreed with our recommendation, and USDA said such data could have marginal utility.

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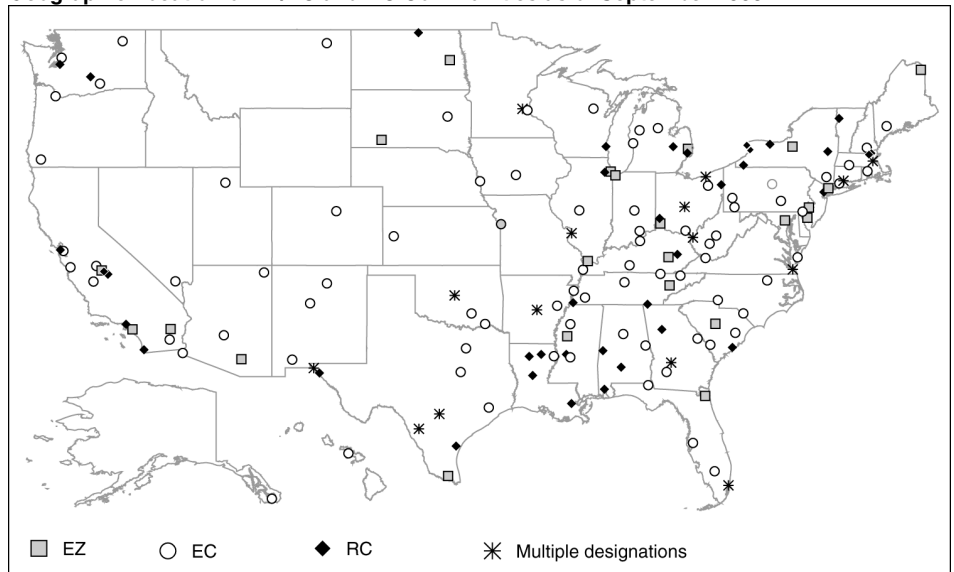
To view the full product, including the scope and methodology, click on the link above. For more information, contact William Shear, (202) 512-8678, ShearW@gao.gov.

What GAO Found

Both the EZ/EC and RC programs were designed to improve conditions in distressed American communities; however, the features of the programs have changed over time. Round I and II EZs and ECs received different combinations of grant funding and tax benefits, while Round III EZs and RCs received mainly tax benefits. To implement the programs, federal agencies have, among other things, designated participating communities and overseen the provision of program benefits. Since 1994, HUD and USDA have designated a total of 41 EZs and 115 ECs, and HUD has designated 40 RCs. Available data show that Round I and II EZs and ECs are continuing to access their grant funds and IRS data show that businesses are claiming some tax benefits. However, IRS does not collect data on other tax benefits and cannot always identify the communities in which they were used. Also, efforts by HUD to obtain these data by survey were limited to Round I designees, and EZ and RC officials have had difficulty obtaining such information directly from businesses. The lack of tax benefit data limits the ability of HUD and USDA to administer and evaluate the programs.

The few evaluations that systematically collected and analyzed data on EZ/EC program effectiveness used a variety of research methods to study different aspects of the program. The most comprehensive of these studies—the HUD Interim Assessment—found that employment of Round I EZ residents had increased from 1995 to 2000, that larger businesses were more likely to use tax benefits than smaller businesses, and that resident participation in EZ or EC governance has been uneven, among other things.

Geographic Location of EZ/EC and RC Communities as of September 2003



Sources: GAO analysis of HUD and USDA data.