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Job seekers want Gestamp work; incentives outlinedby George Hohmann
Daily Mail Business Editor

CHARLESTON, W.Va. -- More than 1,500 people have expressed interest in jobs at the South Charleston stamping plant, and the state has outlined the incentives employer Gestamp will receive.

Last week Gov. Earl Ray Tomblin announced that Gestamp, a Spanish automotive company, will re-open the plant, investing a minimum of \$100 million and eventually creating an estimated 700 jobs. Gestamp North America President John Craig has said the plant will be a primary supplier for Honda and Ford.

On Tuesday WorkForce West Virginia began accepting expressions of interest in "production worker" and "team assembler" jobs on its website, www.wvcommerce.org/business/workforcewv

On Thursday afternoon, the agency said 1,687 jobseekers have enrolled for the positions.

State Secretary of Commerce Keith Burdette released an outline of the state incentives Gestamp will receive. It is impossible to quickly calculate the total value of the incentives, but collectively they appear to be worth millions of dollars to the company.

Ted Boettner, executive director of the West Virginia Center on Budget and Policy, said after examining the outline, "The only thing we know for sure is that most of the taxes will be paid by the workers at the plant, instead of Gestamp.

"While intentions behind this deal are noble and while we need to create good-paying manufacturing jobs, state and local policymakers will have virtually no idea whether this deal is cost-effective," he said.

"We've been burned before and it is in everyone's interest that we require an evaluation of this deal in five years to ensure that these incentives are producing the desired results and that they are a good use of the public purse."

Boettner's nonprofit group studies state policies and advocates for government spending to aid low- and moderate-income residents.

The state outline says Gestamp will qualify for:

* The Economic Opportunity Tax Credit, which provides a state tax credit as high as 30 percent on property and improvements if at least 520 new jobs are created.

* The Manufacturing Investment Tax Credit, which provides state severance tax, business franchise tax and corporate net income tax relief to companies that purchase property for manufacturing.

* The Manufacturing Property Tax Credit, which provides a credit against the state business franchise tax and the corporate income tax for property tax paid on manufacturing inventory.

* The Manufacturing Sales Tax Exemption, which exempts materials and equipment used for construction in the plant from the state's 6 percent sales tax.

The state said it would activate a "Foreign Trade Zone" for the site. This will eliminate property taxes on some tools and dies and limit Gestamp's tax liability on inventory at the site.

The state also said Gestamp will apply for at least \$25 million in loans for equipment purchases and the state will hold title to up to \$150 million worth of equipment.

Since the state will hold title to the equipment, Gestamp won't have to pay property tax on it. However, Gestamp probably won't be off the hook. The state typically waits to sign off on such a deal until a company comes to an agreement with the local county commission.

Companies and county commissions usually agree on a payment in lieu of taxes, or PILOT, whereby the company doesn't pay taxes but does agree to make payments to the county to help fund essential services like schools.

Any agreement forged by Gestamp and the Kanawha County Commission will come up for a vote at a future public commission meeting.

On the subject of property tax, the state outline says that based on the current appraisal, the real property taxes on the plant are estimated to be \$285,000 to \$300,000. "There are no direct real property tax off-sets," the state said. "Those taxes would be part of their (Gestamp's) lease under a triple-net lease."

In a triple-net lease, the tenant pays all operating expenses; the landlord receives a net rent. Gestamp is leasing the factory from the owner, the Park Corp. So Gestamp will make lease payments to Park that include an amount for the real property tax and Park will ultimately be responsible for paying the tax.

The state said it would give Gestamp \$2.5 million in loans to help it with startup, moving, upgrades, equipment and related expenses. The company won't have to repay the loans if it has at least 175 employees by Dec. 31, 2013, and 400 employees within five years.

Boettner said, "Based on my interpretation of the incentives, taxpayers are paying Gestamp \$2.5 million to move into the plant and with the various state tax credits they will owe virtually nothing in corporate income or business franchise taxes for the foreseeable future.

"At the local level, they will pay little in personal property taxes because most inventory will be exempt and most personal property will be leased from the state. If it is triple-net lease agreement, it's possible that Gestamp will have to pick up the local real estate tax which is around \$300,000."

The state outline points out -- as previously reported -- that the city of South Charleston is offering a break on the city's business and occupation tax.

The city will require Gestamp to pay the tax at the regular rate during the first four years it operates. But if Gestamp meets gross sales and employment minimums, its annual business and occupation tax bill would be capped at \$360,000 a year thereafter.

Boettner thinks this will save Gestamp close to \$10 million over the next 15 years.

Contact writer George Hohmann at busin...@dailymail.com or 304-348-4836.

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