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United States Government Accountability Office  
Washington, DC 20548

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March 12, 2010

The Honorable Max Baucus  
Chairman  
The Honorable Charles E. Grassley  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable Sander M. Levin  
Acting Chairman  
The Honorable Dave Camp  
Ranking Member  
Committee on Ways and Means  
House of Representatives

*Subject: Revitalization Programs: Empowerment Zones, Enterprise Communities, and Renewal Communities*

Beginning in 1993 and in subsequent legislation in 1997, 1999, and 2000, Congress established the Empowerment Zone (EZ), Enterprise Community (EC), and Renewal Community (RC) programs to reduce unemployment and generate economic growth in selected Census tracts. Urban and rural communities designated as EZs, ECs, or RCs received grants, tax incentives, or a combination of both to stimulate community development and business activity. The EZ, EC, and RC programs expired on December 31, 2009, though legislation has been introduced to extend the programs.

The Community Renewal Tax Relief Act of 2000 (Public Law 106-554) mandated that GAO report to Congress by January 31, 2004; 2007; and 2010 on the EZ, EC, and RC programs and their effect on poverty, unemployment, and economic growth in designated program areas. We issued the first two mandated reports in 2004 and 2006.<sup>1</sup> The purpose of this report is to make publicly available information we provided in a briefing to your staffs on January 29, 2010. Enclosure I contains a copy of the briefing slides, which describe (1) the purposes and characteristics of the EZ, EC, and RC programs; (2) the information available on the results of the programs;

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<sup>1</sup>GAO, *Community Development: Federal Revitalization Programs Are Being Implemented, but Data on the Use of Tax Benefits Are Limited*, [GAO-04-306](#) (Washington, D.C.: Mar. 5, 2004) and, *Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program Is Unclear*, [GAO-06-727](#) (Washington, D.C.: Sept. 22, 2006).

and (3) agency actions in response to GAO's prior recommendations and observations.

## **Background**

Congress established the first round of EZ and EC programs through the Omnibus Budget Reconciliation Act of 1993. Further legislation in 1997 and 1999 authorized the second rounds of the EZ and EC programs, while the Community Renewal Tax Relief Act of 2000 authorized a third round of EZs and established the RC program. The Department of Health and Human Services (HHS), the Department of Housing and Urban Development (HUD), the United States Department of Agriculture (USDA), and the Internal Revenue Service (IRS) had key roles in administering the programs.<sup>2</sup> While eligibility varied slightly by program and round, the designated EZ, EC, and RC communities were selected largely on the basis of poverty and unemployment rates, population, and other area statistics. In general, program benefits in the first two rounds included a combination of grants and tax incentives, while the third-round EZs and RCs generally received only tax benefits.

In our 2004 report, we described the features of the EZ, EC, and RC programs, the extent to which the programs had been implemented, the methods used to evaluate their effectiveness, and the results of these evaluations. We recommended that HUD, USDA, and IRS collaborate to (1) identify the data needed to assess the use of the tax benefits and the various means of collecting such data; (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 was available. In our 2006 report, we focused on the first round of the EZ and EC program that started in 1994 and discussed program implementation and oversight, the data that were available on the use of program tax benefits, and the programs' effect on poverty, unemployment, and economic growth. We made observations that should be considered if these or similar programs are authorized in the future. Our final briefing slides provide an overview of all three program rounds with a focus on the Round III EZs and RCs that primarily received tax benefits. It also addresses HUD, USDA, and IRS' responses to our recommendations and observations in the two prior reports.

## **Summary**

While these programs initially offered a mix of grants and tax incentives for community and economic development, later rounds offered primarily tax incentives for business development. Grant funds in the early EZ and EC programs financed projects and activities to enhance community development. Further, the facility bond feature of the EZ and EC programs helped facilitate large business projects. More recently, the Commercial Revitalization Deduction (CRD) feature of the RC program helped to facilitate smaller business projects.

Some information is available on the results of the EZ, EC, and RC programs. For instance, HUD collects data on utilization of facility bonds in EZs and the CRD in RCs. In addition, IRS provided data to HUD on EZ/RC employment credit use.

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<sup>2</sup>HHS was involved only in the first round of EZs and ECs.

However, data limitations make it difficult to accurately tie the use of the credits to specific designated communities. It is not clear how much businesses are using other EZ, EC, and RC tax incentives, because IRS forms do not associate these incentives with the programs or with specific designated communities. Going forward, the U.S. Census Bureau will begin releasing more frequent poverty and employment updates at the Census tract level than it has traditionally provided, and this information could be a useful tool in determining the effects of such programs on poverty and employment in designated Census tracts.

In response to our prior recommendations and observations, HUD and IRS have collaborated to provide outreach and to share data on the use of some program tax incentives. In addition, HUD has taken steps to improve data collection and program monitoring. However, the agencies are not yet able to tie the use of tax benefits, including employment credits, to particular communities because of limitations in distinguishing such information on existing tax forms, making it difficult to begin assessing the impacts of these tax benefits.

To accomplish our work, we reviewed relevant documents and interviewed officials from HUD, USDA, and IRS. We also conducted a survey of the most recently designated EZs and RCs and performed fieldwork at selected urban and rural EZ and RC locations.

We conducted our work from July 2009 to January 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We provided a draft of the slides to HUD, USDA, and IRS for comment. The three agencies provided technical comments, which were incorporated where appropriate. HUD's Acting General Deputy Assistant Secretary for Community Planning and Development provided written comments, which are presented in enclosure II.

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We are sending copies of this letter and the slides to the Secretaries of Housing and Urban Development, Agriculture, Treasury, and other interested parties. In addition, the letter and slides will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at 202-512-4325 or [shearw@gao.gov](mailto:shearw@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report were Andy Finkel, Assistant Director; Emily Chalmers; Barry Kirby; Kirsten Lauber; John McGrail; Marc Molino; Ellen Ramachandran (intern); Lisa Reynolds; and Walter Vance.

A handwritten signature in cursive script that reads "William B. Shear".

William B. Shear  
Director, Financial Markets and Community Investment

Enclosures



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# **Information on Empowerment Zone, Enterprise Community, and Renewal Community Programs**

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**Briefing for Congressional Addressees**

**Enclosure I**

# Information on Empowerment Zone (EZ), Enterprise Community (EC), and Renewal Community (RC) Programs

- Objectives
- Summary
- Background
- Scope and methodology
- Discussion of objectives
- Profiles of sites visited



- This briefing is in response to the Community Renewal Tax Relief Act of 2000, which mandated that GAO audit and report in 2004, 2007, and 2010 on the EZ/EC/RC programs and their effect on poverty, unemployment, and economic growth. To date, we have issued the first two of these required reports. These briefing slides provide the results of our 2010 review.
  
- Our objectives were to describe:
  - 1) purposes and characteristics of the EZ, EC, and RC programs;
  - 2) information available on the results of the EZ, EC, and RC programs; and
  - 3) agency actions in response to GAO's prior recommendations and observations.

The EZ, EC, and RC programs were designed to revitalize high-poverty, economically distressed communities that were designated through a competitive process. Initially, these revitalization programs offered a mix of grants and tax incentives for community and economic development, but later rounds offered primarily tax incentives for business development.

Some additional data on EZ/EC/RC results, such as more frequent updates to Census statistics on poverty at the Census tract level, are available beginning this year. However, data on the use of program tax benefits and their impacts are limited.

- The Department of Housing and Urban Development (HUD) collects data on the use of the Commercial Revitalization Deduction (CRD) and facility bonds in designated communities.
- The Internal Revenue Service (IRS) provided data to HUD on the use of EZ/RC employment credits, though data limitations have inhibited the agencies' ability to accurately tie the use of the credits to specific designated communities.
- The extent to which businesses are using EZ/EC/RC tax incentives other than facility bonds, CRDs, and employment credits is not measurable because IRS forms do not associate these incentives with such programs or specific designated communities.
- Census data on poverty and unemployment in these areas have not typically been available more than once per decade, but Census is taking steps to release more frequent updates in the future.



Since 2006, HUD and IRS have initiated outreach and data-sharing efforts in response to recommendations we made in 2004.<sup>1</sup> HUD has also made some progress in response to GAO's observations in 2006 regarding data collection and monitoring.<sup>2</sup> However, the agencies are not yet able to tie the use of employment credits to particular communities, making it difficult to begin assessing the impacts of these tax benefits.

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<sup>1</sup>U.S. General Accounting Office, *Community Development: Federal Revitalization Programs Are Being Implemented, but Data on The Use of Tax Benefits Are Limited*, GAO-04-306 (Washington, D.C.: March 5, 2004).

<sup>2</sup>U.S. Government Accountability Office, *Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program Is Unclear*, GAO-06-727 (Washington, D.C.: Sept. 22, 2006).

# Background

- Congress authorized the EZ, EC, and RC programs in several rounds of legislation beginning in 1993.

Program	Title	Summary
Round I EZ/EC	Omnibus Budget Reconciliation Act of 1993	<ul style="list-style-type: none"> <li>• Established the EZ/EC program and its package of grants and tax benefits</li> <li>• Authorized 6 urban and 3 rural Round I EZs<sup>a</sup></li> <li>• Authorized 65 urban and 30 rural Round I ECs<sup>a</sup></li> <li>• Established eligibility requirements and selection criteria for EZ/ECs</li> </ul>
Round II EZ/EC	Taxpayer Relief Act of 1997	<ul style="list-style-type: none"> <li>• Authorized 5 rural and 15 urban Round II EZs</li> <li>• Changed the eligibility requirements for EZ/ECs</li> <li>• Created the Washington, D.C. EZ</li> </ul>
	Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999	<ul style="list-style-type: none"> <li>• Authorized up to 20 additional rural ECs</li> </ul>
Round III EZ and RC	Community Renewal Tax Relief Act of 2000	<ul style="list-style-type: none"> <li>• Authorized 2 rural and 7 urban Round III EZs</li> <li>• Established the RC program and its package of tax benefits</li> <li>• Authorized designation of 40 RCs, with 12 designations for rural areas</li> <li>• Made additional tax benefits available to EZs</li> </ul>
	American Jobs Creation Act of 2004	<ul style="list-style-type: none"> <li>• Allowed the expansion of RC boundaries based on 2000 Census data</li> </ul>

Source: GAO summary of P.L. 103-66, P.L. 105-34, P.L. 105-277, P.L. 106-554, and P.L. 108-357

<sup>a</sup> HUD subsequently added 2 Supplemental EZs and 4 Enhanced ECs. In January 2000, the 2 Supplemental EZs received Round I EZ status.

- Designations for EZs, ECs, and RCs were chosen largely on the basis of residents' socioeconomic characteristics.
- The EZ, EC, and RC programs have each offered a different mix of grant funds and tax benefits targeting designated communities.
  - EZ and EC programs have generally offered a mix of grant funds and tax benefits.
  - No grant funds were provided with later RC and Round III urban EZ programs.
- Other tax credits are available to businesses in areas considered to be distressed that may or may not be in EZ/EC/RC designated communities, including the:
  - Work Opportunity Tax Credit,
  - Welfare to Work Tax Credit, and
  - New Markets Tax Credit.



- Four federal agencies have had key roles in administering the EZ/EC/RC revitalization programs.
  - HUD oversaw the EZ/EC programs in urban areas, administered grants to Round II urban EZs, and oversaw all of the RCs.
  - The U.S. Department of Agriculture (USDA) oversaw EZ/EC programs in rural areas and administered grants to Round II rural EZ/ECs and Round III rural EZs.
  - The U.S. Department of Health and Human Services (HHS) administered block grant funds to communities designated in Round I of the EZ/EC programs.
  - IRS has been responsible for administering tax benefits available under the EZ, EC, and RC programs.

## Administration of EZ/EC/RC Programs

	HHS	HUD	USDA	IRS
Round I EZs – Urban	✓	✓		✓
Round I EZs – Rural	✓		✓	✓
Round I ECs – Urban	✓	✓		✓
Round I ECs – Rural	✓		✓	✓
Round II EZs – Urban		✓		✓
Round II EZs – Rural			✓	✓
Round II ECs – Rural (no urban)			✓	
Round III EZs – Urban		✓		✓
Round III EZs – Rural			✓	✓
RCs – Urban		✓		✓
RCs – Rural		✓		✓

- GAO has previously reported on the characteristics and impacts of the EZ, EC, and RC programs.
  - In 2004, we reported on the features of the programs, the extent to which they had been implemented, the methods used to evaluate their effectiveness, and the results of these evaluations.
    - We concluded that the programs had been implemented but that limited data on the use of EZ and RC tax benefits presented multiple challenges to evaluating the programs. We noted that acquiring additional data that could attribute the use of the tax benefits to particular EZs and RCs would help facilitate an audit of these programs. Additional tax data would be necessary to evaluate certain aspects of the programs, such as the use of the tax benefits.
    - We further reported that without utilization data, EZs and RCs could not reliably report on how local businesses used the program, limiting the ability of GAO and other researchers to determine the programs' impact on designated communities.

- Our 2006 report, which focused on Round I EZ and EC programs, discussed program implementation and oversight; the available data on the use of program tax benefits; and the programs' effect on poverty, unemployment, and economic growth, with the following findings:
  - Round I EZs and ECs had expended 85 percent of \$1 billion in grant funds on a variety of projects, mostly involving community development.
  - Reliable data on the extent of leveraging funds with other sources were not available.
  - Federal agencies responsible for program oversight—including HHS, HUD, and USDA—collected some information on budgeting and the use of grants, but did not account for amounts actually spent on specific activities.<sup>1</sup>
  - The extent of federal monitoring varied across EZ and EC sites.
  - Detailed IRS data on the use of EZ/EC program tax benefits were not available.
  - Although improvements in poverty, unemployment, and economic growth had occurred in the EZs and ECs, our econometric analysis of the eight urban EZs could not tie these changes definitively to the EZ designation.

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<sup>1</sup> HHS was involved only in Round I programs, administering the largest share of grant funds.

- The EZ, EC, and RC programs expired December 31, 2009.
  - In December 2009, the House passed the Tax Extenders Act of 2009, which would extend the EZ and RC programs for one year. In March 2010 the Senate also passed the Act.
  - House and Senate bills proposing longer-term program reauthorizations were referred to the relevant committees.



- To assess the purposes and characteristics of the EZ, EC, and RC programs, we reviewed relevant laws and regulations and IRS publications, and interviewed HUD and USDA officials. We also drew on our 2004 report on federal revitalization programs.
- To determine what information was available on results of the Round I and II EZs and ECs, we reviewed HUD and USDA online performance management systems; interviewed HUD, USDA, and IRS officials; and revisited our 2006 report on EZs and ECs. To obtain information on Round III EZs and RCs, we surveyed all RCs and Round III EZ administrators. Our survey had a response rate of 100 percent. We also conducted site visits and telephone interviews with RC and Round III EZ communities that were selected based on the type of community they were and, in part, on their survey responses.<sup>2</sup>
- To assess actions and progress that had been made in addressing GAO's recommendations, we interviewed HUD, USDA, and IRS officials and collected relevant documentation.

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<sup>2</sup> We visited the following Round III designated communities: Chicago, Milwaukee, and Ouachita Parish, Louisiana (urban RCs); Northern Louisiana (rural RC); San Antonio (urban EZ); and FUTURO, TX (rural EZ). We conducted phone interviews with Oklahoma City (urban EZ) and New Orleans (urban RC) and the EZ/RC/EC Coalition, an informal organization of local administrators and some private partners whose mission is to improve the EZ, RC, and EC programs.

- We conducted this performance audit from July 2009 to January 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Obj. 1: Program Features

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- **EZ, EC, and RC programs were designed to reduce unemployment and generate economic growth.**
  - EZ, EC, and RC areas had to be nominated for their designations by one or more local governments and the state or states in which they were located.
  - These communities comprised Census tracts that were selected largely on the basis of poverty, unemployment rates, population, and other area statistics from the decennial Census. Some local RC administrators expressed concern about changes to eligibility criteria that excluded certain high-poverty Census tracts.
  - Nominated EZs and ECs had to submit a strategic plan showing how they would meet key program principles, while nominated RCs had to submit a written “course of action” with commitments to carry out specific legislatively mandated activities.

# Obj. 1: Program Features

## EZ/EC/RC Eligibility Requirements by Program Round

	Urban EZ/EC		Rural EZ/EC		RC
	Round I	Rounds II and III	Round I	Rounds II and III	
<b>Minimum required poverty level in nominated census tracts<sup>a</sup></b>	35% in half of tracts, 25% in 90% of tracts, and 20% in all tracts <sup>b</sup>	25% in 90% of tracts, 20% in all tracts <sup>b</sup>	35% in half of tracts, 25% in 90% of tracts, and 20% in all tracts <sup>b</sup>	25% in 90% of tracts, 20% in all tracts <sup>b</sup>	20% in all tracts <sup>c</sup>
<b>Minimum required unemployment rate</b>	6.3% (1990 national rate) <sup>a</sup>	6.3% (1990 national rate) <sup>a</sup>	No minimum specified; could be demonstrated by several different indicators		9.45% (1.5 times the 1990 national rate) <sup>a</sup>
<b>Required population<sup>a</sup></b>	<u>Maximum:</u> 200,000 or the greater of 50,000 or 10% of the population of the most populous city within the nominated area <u>Minimum:</u> None		<u>Maximum:</u> 30,000 <u>Minimum:</u> None		<u>Maximum:</u> 200,000 <u>Minimum:</u> 4,000 if any portion lay within a metropolitan statistical area of 50,000 or greater; 1,000 otherwise, except for areas entirely within an Indian reservation, which had no population restrictions
<b>Maximum required area<sup>a</sup></b>	20 square miles <sup>d</sup>	20 square miles, with up to 3 developable sites <sup>d,e</sup>	1,000 square miles <sup>d</sup>	1,000 square miles, with up to 3 developable sites <sup>d,e</sup>	None, but area boundary must be continuous
<b>Conditions of general distress</b>	6 indicators, such as high incidence of crime or narcotics use and amount of abandoned housing	17 indicators, such as average years of school completed, number of persons on welfare, and dropout rate	14 indicators, such as average years of school completed and incidence of crime or narcotics use		17 indicators, such as average years of school completed, number of persons on welfare, and dropout rate
<b>Other requirements</b>	Strategic plan based on the four key principles of the EZ/EC program: (1) economic opportunity; (2) sustainable community development; (3) community-based partnerships; and (4) strategic vision for change				"Course of action" that committed to carrying out 4 of 6 activities (e.g., crime reduction strategies and an increase in the level of efficiency of local services within the RC)

Source: GAO summary of P.L. 103-66, P.L. 105-34, P.L. 106-554, 24 C.F.R. 597, 24 C.F.R. 598, 24 C.F.R. 599, and 7 C.F.R. 25.

<sup>a</sup> Based on 1990 Census data. <sup>b</sup> In all rounds of the EZ/EC program, communities could not include Census tracts with central business districts that did not have a poverty level of at least 35 percent. The authorizing legislation also established special requirements for nominated Census tracts with low or no population. <sup>c</sup> In urban areas, at least 70% of households had to have incomes below 80% of the local median. <sup>d</sup> Nominated communities could include up to 3 noncontiguous parcels. <sup>e</sup> A developable site is a parcel of land of up to 2,000 acres (including noncontiguous parcels) that can be used for commercial or industrial purposes.



## Obj. 1: Program Features

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- **Early rounds of the EZ and EC programs provided grant funds, but later rounds offered primarily tax incentives.**
  - The EZ program provided grant funds for EZs in Rounds I and II (but not in Round III urban EZs) coupled with tax benefits to businesses for all three rounds of the program. The two rural EZs in Round III did receive grant funds along with the tax benefits, however.
  - The EC program provided some grant funds for both program rounds and tax benefits for the first round.
  - The RC program provided only tax benefits.

# Obj. 1: Program Features

## Summary of EZ/EC/RC Grant Funds Per Designated Community

Program	Designated Areas	Funds in Millions	Source of Funds
Round I – EZs	Urban EZs	\$ 100	HHS
	Rural EZs	\$ 40	HHS
	Supplemental EZs	\$ 87 to 125	HUD
Round I – ECs	Urban ECs	\$ 2.95	HHS
	Rural ECs	\$ 2.95	HHS
	Enhanced ECs	\$ 22	HUD
Round II –EZs <sup>a</sup>	Urban EZs	\$ 25.6	HUD
	Rural EZs	\$ 17.7	USDA
Round II – ECs <sup>a</sup>	Rural ECs	\$ 2.2	USDA
Round III – EZs <sup>a</sup>	Urban EZs	\$ ----	----
	Rural EZs	\$ 2.9	USDA
RCs	Urban RCs	\$ ----	----
	Rural RCs	\$ ----	----

<sup>a</sup> Grant funds were appropriated to HUD and USDA and were affected by rescissions.

# Obj. 1: Program Features

Summary of Tax Benefits	EZ	EC <sup>a</sup>	RC
<b>Wage Credits</b>			
<b>Employment Credit</b> – Annual tax credit for businesses of up to \$3,000 or \$1,500 for each employee living and working for the employer in an EZ or RC area, respectively.	X		X
<b>Work Opportunity Credit</b> – Business tax credit of up to \$2,400 for each new employee age 18 to 24 living in an EZ/EC/RC, or up to \$1,200 for a youth summer hire.	X	X	X
<b>Deductions</b>			
<b>Commercial Revitalization Deduction</b> – Accelerated method of depreciation to recover certain business costs of new or substantially rehabilitated commercial buildings in an RC (states allocate up to \$12 million annually per RC)			X
<b>Increased Section 179 Deduction</b> – Increased deduction of up to \$35,000 of the cost of eligible property purchases (including equipment and machinery) for businesses in an EZ/RC.	X		X
<b>Investment Incentives</b>			
<b>Facility Bonds</b> – Bonds issued for projects in EZs/ECs by state or local governments at lower interest rates to finance construction costs (up to \$230 million in urban EZs).	X	X	
<b>Qualified Zone Academy Bonds</b> – No interest bonds issued in EZs/ECs by state or local governments to finance school programs, with purchasers receiving interest payments as tax credits.	X	X	X
<b>Rollover of Capital Gains</b> – EZ business owners may be able to postpone part or all of the gain from the sale of a qualified EZ asset that they hold for more than 1 year.	X		
<b>Increased Exclusion of Capital Gains</b> – Taxpayers can exclude 60 percent of their gain from the sale of small business stock in a corporation that qualifies as an enterprise zone business.	X		
<b>Exclusion of Capital Gains</b> – RC business owners can exclude qualified capital gains from the sale or exchange of a qualified community asset held more than 5 years			X

## Obj. 1: Program Features

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- **Early EZ and EC programs targeted community development and large business projects, while the RC program targeted small and medium-sized business projects.<sup>1</sup>**
  - Grant funds in the early EZ and EC programs financed projects and activities to enhance community development, but this financing decreased in successive rounds of the programs.
  - The EZ and EC programs featured facility bonds to aid in the financing of large business projects that were tied to the employment of residents in the designated areas.
  - The RC program provided more benefits to small and medium-sized projects, incorporating the CRD instead of the facility bond feature.
  - The RC program's CRD feature, which encompassed an annual allocation of \$12 million per RC and was administered locally, was intended to facilitate new construction and rehabilitation projects.

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<sup>1</sup> Categorizing small business projects as those of less than \$1 million, medium-sized projects as those between \$1 million and \$10 million, and large projects as those more than \$10 million.



## Obj. 2: Information Available on the EZ/EC/RC Programs

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- **GAO has previously observed that improvements occurred in early EZs and ECs, though changes could not be conclusively tied to the programs.**
  - In 2006, we found that in some cases Round I EZs and ECs, which received a combination of grants and tax incentives, showed improvements in poverty, unemployment, and economic growth (measured by the number of businesses and the number of jobs).<sup>1</sup>
    - In most Round I EZs and ECs, both urban and rural, poverty rates fell between 1990 and 2000, with most communities experiencing statistically significant decreases in the poverty rate that ranged from 2.6 to 14.6 percent.
    - Fewer than half of the individual EZs and ECs experienced a decrease in unemployment, with declines ranging from 1.5 to 11.7 percentage points. Some communities saw increases in unemployment of up to 6.5 percentage points, and others did not experience a significant change.
    - Most of the Round I communities experienced an increase in at least one measure of economic growth between 1995 and 2004.

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<sup>1</sup> We used poverty and employment data from the 1990 and 2000 Censuses and obtained data on the number of businesses and jobs from a private vendor.

## **Obj. 2: Information Available on the EZ/EC/RC Programs**

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- However, we could not definitively tie these improvements to the EZ and EC programs.
  - An econometric analysis of the eight urban Round I EZs could not determine whether the changes were a response to the program or to other economic conditions.
  - Similarly, interviews and surveys of EZ and EC stakeholders revealed that respondents credited the programs for certain improvements but also noted that external factors, such as changes in the national economy and in welfare policy, may have been associated with the economic changes in designated communities.



## Obj. 2: Information Available on the EZ/EC/RC Programs

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- In 2004, we observed a small number of evaluations that had been conducted on the EZ/EC programs' effectiveness.
  - The evaluations used a variety of research methods, reported varying results, and were subject to limitations.<sup>1</sup>
  - While some of these early evaluations described changes in employment, we noted that they could not be used to conclude that the EZ and EC programs actually caused the observed changes.
- We also recently reviewed seven academic studies; all examined Round I EZs, and one also examined Round I ECs. Like the earlier studies, these evaluations used different methods and reported varying results with regard to poverty and unemployment. Further, none of them systematically evaluated the effect of the tax benefits-only design of the RCs and Round III urban EZs.

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<sup>1</sup> None of the evaluations we reviewed analyzed the RC program.

## Obj. 2: Information Available on the EZ/EC/RC Programs

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- **Some information on the use of tax benefits is currently available, but information at the EZ/EC/RC level remains limited.**
  - HUD collects information on the use of some program tax benefits requiring authorization from local program officials, including:
    - facility bonds that were used for projects in EZs,<sup>1</sup> and
    - CRD allocations that were used for projects in RCs.
  - Facility bonds have been used to finance large construction projects in EZ areas.
    - Local administrators of urban EZs reported that about \$643 million in facility bonds were tied to 40 projects over a 16-year period.
    - Of 31 urban EZs in program rounds I through III, fewer than half reported using facility bonds.
  - CRD allocations allowing accelerated depreciation of new and rehabilitated facilities in RC areas have benefited small and medium-sized business projects.
    - Local RC administrators reported allocating over \$1.7 billion in CRDs from 2002 through 2008.
    - CRD allocations that were reportedly used represented just over 50 percent of the possible total allocations.

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<sup>1</sup> USDA officials told us that rural administrators sometimes provide facility bond data in their annual reports but that USDA did not systematically collect this information.

## Obj. 2: Information Available on the EZ/EC/RC Programs

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- **Aggregate data on the use of employment credits could not be broken down to conclusively show the use of such credits in specific EZ/RC areas.**
  - IRS has provided HUD with aggregate data from Form 1040 returns revealing that filers in EZs and RCs nationwide were allowed about \$675 million in employment credits for processing years 1997 through 2008.<sup>1</sup>
  - Aggregate data from IRS Form 1120 returns indicated that corporate filers were allowed approximately \$2.6 billion in employment credits for processing years 1997 through 2008.
  - However, for both 1040 and 1120 filers, identifying the employment credits taken for specific EZ or RC areas has been problematic.
    - IRS officials stated that data on employment credits taken cannot be directly linked to specific EZs or RCs because there is no information on the relationship of the taxpayer's address to the EZ or RC location(s) where employment tied to these credits occurred.
    - IRS Form 8844 does not break down the employment credits taken by the specific EZ or RC location(s).

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<sup>1</sup> According to IRS, the processing year is the calendar year in which the IRS received and processed the tax return. Generally this reflects the tax year immediately preceding the processing year, although data may also reflect late filed returns for earlier years.

## **Obj. 2: Information Available on the EZ/EC/RC Programs**

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- Other than employment credits, HUD does not receive data from IRS that can be linked to EZ/EC/RC programs.
  
- Challenges exist to identifying EZ/EC/RC tax benefits taken and associating them with a given designated community.
  - Most IRS forms incorporating EZ/EC/RC tax benefits are not specific to revitalization program activities, with the exception of IRS Form 8844, which solely addresses the EZ and RC employment credits.
  
  - Breaking out figures on tax benefits tied to EZ/EC/RC programs would be difficult on most IRS forms, because the forms are not specific to these programs and because EZ/EC/RC credits and deductions would be aggregated with other types of credits and deductions.
  
  - EZ and RC administrators told us that a lack of data on the use of tax benefits within their designated communities inhibited their ability to evaluate program effectiveness. For example, the only tax benefits that administrators could track were CRDs and EZ facility bonds, because administrators were involved in the approval process.

# Obj. 2: Information Available on the EZ/EC/RC Programs

## Key IRS Forms for EZ/EC/RC Benefits and Their Data Limitations

Tax Benefits	Key IRS Forms	Limitations to Attributing Tax Benefits from IRS Forms to Specific Programs or Areas
<b><i>Wage Credits</i></b>		
Employment Credit	8844	Credits cannot be tied to specific EZs/RCs.
Work Opportunity Credit	5884 / 8850	Credits for EZ/EC/RC employees are not distinguished from credits for other eligibility groups.
<b><i>Deductions</i></b>		
Commercial Revitalization Deduction	4562 / 8582	CRD figures are not distinguished from other non-RC deductions.
Increased Section 179 Deduction	4562	Increased section 179 deduction figures are not distinguished from other non-EZ/RC deductions.
<b><i>Investment Incentives</i></b>		
Facility Bonds	8038	EZ/EC communities are not coded so that figures can be systematically tabulated by community.
Qualified Zone Academy Bonds	8860	Qualified Zone Academy Bond credits for EZ/EC/RC programs are not specific to a designated community.
Rollover of Capital Gains	Schedule D / 4797	Figures related to capital gains tied to the EZ program are not specific to a designated community.
Increased Exclusion of Capital Gains	Schedule D / 4797	Figures related to capital gains tied to the EZ program are not specific to a designated community.
Exclusion of Capital Gains	Schedule D / 4797	Figures related to capital gains tied to the RC program are not specific to a designated community.

## Obj. 2: Information Available on the EZ/EC/RC Programs

- **Historically, data that can be used to assess household economic outcomes at the local level have been largely confined to the decennial Census, but with the American Community Survey (ACS), the Census Bureau can now annually update poverty and other economic variables at the local level.<sup>1</sup>**
  - Historically, statistics on poverty and other household economic variables at the Census tract level have been gathered through the decennial Census. Therefore, statistics on poverty, unemployment, and other indicators have not been available to evaluate outcomes of the EZ/EC/RC programs at the Census tract level more than once every 10 years.
  - The Census Bureau, through the ACS, now annually collects data elements—including income and employment figures at the Census tract level—that were previously included on the “long form” of the decennial Census.
  - While the use of annual ACS data for Census tracts or geographic areas comprised of multiple Census tracts will be limited due to the number of households from each area included in the annual sample, ACS data are expected to be a useful tool in tracking changes in household economic conditions and demographics over time periods more frequent than decennially.

<sup>1</sup> The Census Bureau's ACS is an ongoing survey that produces statistics about our nation's people and housing. It covers the same type of information that had been collected every 10 years from the decennial Census long form questionnaire. The ACS eliminated the need for a separate long form in the 2010 Census. ACS data are collected continuously throughout the year and throughout the decade. This allows the Census Bureau to produce new data every year about how communities are changing. The ACS is sent to about 3 million addresses in the U.S. and Puerto Rico every year.



## **Obj. 2: Information Available on the EZ/EC/RC Programs**

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- Using the ACS, the Census Bureau currently publishes single-year poverty estimates for any geography with a population greater than 65,000, and 3-year estimates for all geographies with populations of 20,000 or more.
  
  - In 2010, with the release of 5-year data, the Census Bureau will produce estimates of poverty for all Census tracts. Both the 3-year and the 5-year estimates will be updated annually, providing evidence of trends over time.
- 
- **The following slides contain examples of some projects carried out in the RCs and Round III EZs we visited.**

## Obj. 2: Information Available on the EZ/EC/RC Programs

- States and local governments issued facility bonds for large construction projects in some EZs.



Source: TripAdvisor.com

For example, in the San Antonio EZ, developers used facility bonds to assist in the financing of two hotel projects in the city's popular Riverwalk area. With the help of a \$39.9 million facility bond, one hotel has so far employed over 30 EZ residents and will create construction jobs and other employment generated by the developer's gift of Riverwalk property to the city, according to local administrators.



Source: GAO photo

With the help of a \$130 million facility bond, developers of another hotel plan to generate an estimated 600 to 800 jobs, with at least 35 percent filled by EZ residents, according to local EZ officials.

## Obj. 2: Information Available on the EZ/EC/RC Programs

- The CRD feature of the RC program has facilitated new construction and rehabilitation projects involving commercial buildings and, according to RC administrators, has aided businesses and improved the look of areas in designated communities.



Source: GAO photo

The Chicago RC approved an \$8.6 million CRD for a grocery store in an area that formerly offered only convenience stores.



Source: GAO photo

In the Chicago RC, a CRD helped finance a strip mall of several small businesses, facilitating jobs in an area that is still dealing with crime issues (as evident by the razor wire), according to RC officials.

## Obj. 2: Information Available on the EZ/EC/RC Programs

The Milwaukee RC approved a CRD for several million dollars to help facilitate the construction of a new facility for a national company that based its location decision (in a former rail yard location) at least partially on the RC benefits.



Source: GAO photo

Several CRD projects approved by the Milwaukee RC involved rehabilitating historic buildings that had become rundown, including this old warehouse that was rehabilitated into a boutique hotel, improving the look of the area.



Source: GAO photo

## Obj. 2: Information Available on the EZ/EC/RC Programs

In an urban RC located in Monroe, LA, the CRD helped finance the construction of a new medical clinic to serve the public and improve the look of the area.



Source: GAO photo

A CRD allocation was also used by a local car dealer in Monroe, LA, to update facilities to a look common to similar dealers across the country.



Source: GAO photo

## Obj. 2: Information Available on the EZ/EC/RC Programs

In a rural RC in Louisiana, administrators allocated a CRD to help finance new grain storage facilities. According to a management official, the CRD was the deciding factor in making an expansion of facilities possible, which has resulted in a five-fold increase in sales by enabling the business to expand its market into Mexico.



Source: GAO photo

In this rural Louisiana RC, one employer stated that the CRD had been a key factor in obtaining capital investment in the business. The employer also mentioned the employment credit had been an important factor in keeping the plant open during the recent economic downturn.



Source: Company photo

## Obj. 2: Information Available on the EZ/EC/RC Programs

Within a rural Round III EZ in Texas (FUTURO), USDA grants provided funds to establish the Big Wells Community Education Center, providing a computer lab and a community resource room in a poor rural community.



Source: GAO photo

## Obj. 2: Information Available on the EZ/EC/RC Programs

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- Some EZs and RCs did not fully utilize facility bonds and CRDs. Several RC administrators said that allowing the pooling of unused CRD allocations would permit RCs to access unused CRD funds so that these allocations could be used in areas of greater demand.
- HUD officials and some local administrators described several challenges to using these incentives:
  - Facility bonds are complicated transactions that require significant up-front money and projects big enough to justify the transaction costs.
  - The economic climate in recent years has made it difficult for businesses to obtain financing from other sources.
  - Uncertainty over the EZ and RC programs' extension caused hesitancy on the part of some administrators and would-be applicants and investors.<sup>1</sup>
  - RCs and Round III Urban EZs lacked administrative funds to market the programs' benefits. Some EZ and RC administrators suggested grants for administrative funding and/or user fees tied to tax benefits that are processed locally.

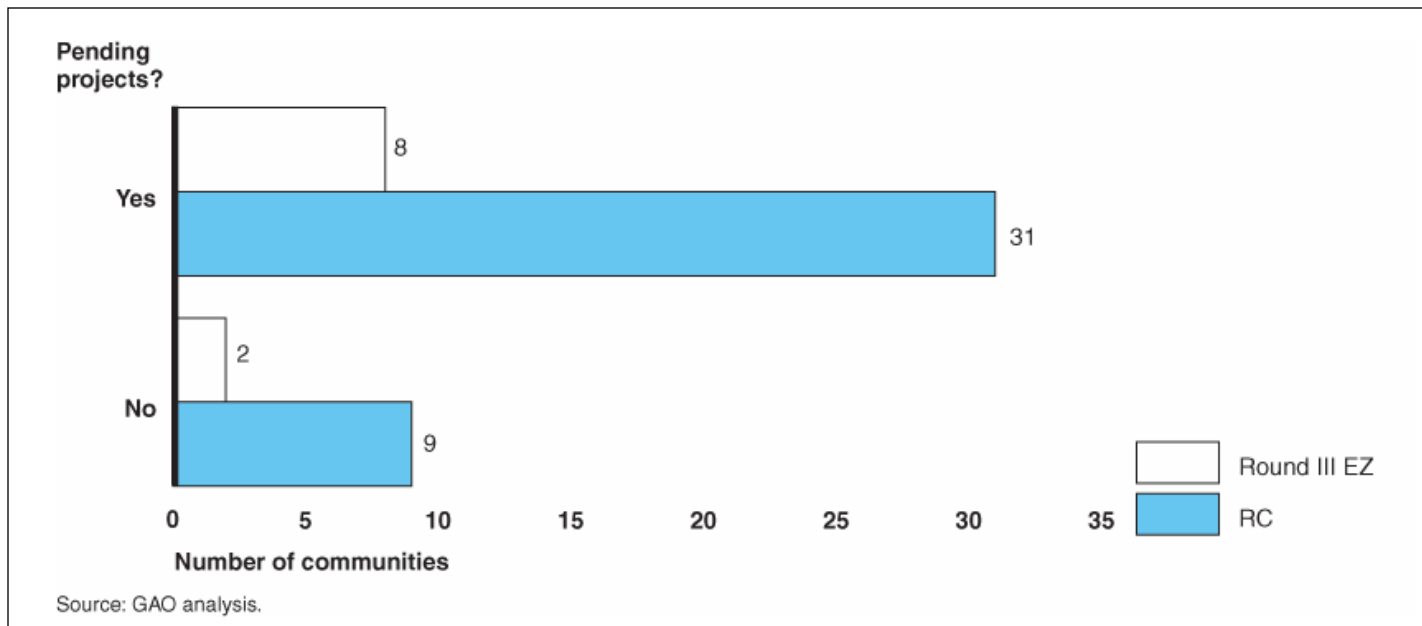
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<sup>1</sup> For instance, developers in EZs must find buyers for facility bonds, while developers in RCs must have the funds to build or substantially rehabilitate a building before they can take advantage of the CRD.



## Obj. 2: Information Available on the EZ/EC/RC Programs

- RC and Round III EZ administrators identified pending or potential projects that could be implemented if the programs were extended beyond December 31, 2009.
  - Of the 50 RC and Round III EZs that we surveyed, 39 communities (31 RCs and 8 EZs) indicated that they had pending projects.
  - Local administrators described pending or potential mixed-use projects that would include affordable housing, as well as commercial and industrial projects that would create jobs.



## Obj. 2: Information Available on the EZ/EC/RC Programs

Examples of project sites not yet completed for future revitalization programs: In Milwaukee (right), officials would like to focus future revitalization efforts on developing an abandoned industrial area of nearly 150 acres vacated by an automobile parts manufacturer. In rural Louisiana (below), local officials would like to use RC benefits along with other incentives for an automobile manufacturing plant. In San Antonio (lower right), an EZ administrator told us that the City would like to use future benefits to spur investment in the neighborhood surrounding Fort Sam Houston, whose population is expected to grow by 12,000 people in the near future due to a military base realignment.



Source: GAO photo



Source: Northeast Louisiana Economic Alliance Web site



Source: GAO photo

## Obj. 3: Agency Responses

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- **HUD and IRS have initiated cooperative efforts to begin addressing past recommendations and observations.**
  - In 2004, we recommended that HUD, USDA, and IRS collaborate to:
    - (1) identify the data needed to assess the use of the tax benefits and the various means of collecting such data;
    - (2) determine the cost-effectiveness of collecting these data, including the potential impact on taxpayers and other program participants;
    - (3) document the findings of this analysis; and
    - (4) if necessary, seek the authority to collect the data, if a cost-effective means is available.
  - In 2006, we made the following key observations:
    - Limited data and variations in monitoring by HUD, USDA, and HHS have hindered federal oversight efforts; and
    - The lack of data on the use of program grant funds, the extent of leveraging, and extent to which program tax benefits were used limited GAO's ability and the ability of others to evaluate the effects of the program.

## Obj. 3: Agency Responses

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- 1) In response to our 2004 recommendation, HUD's Office of Community Renewal (OCR) and IRS established an action plan in 2006 that:
  - Designated the IRS Office of Stakeholder Liaisons as IRS field officials responsible for helping to market and educate business owners on the EZ and RC tax incentives;
  - Created a standard library of tools for stakeholder liaisons that is now available, according to HUD officials, to assist EZs and RCs; and
  - Delivered IRS data that gave HUD some ability to measure the use of the EZ and RC employment credits for processing years 1997 through 2008.

USDA did not act on the recommendation. USDA officials told us that the IRS data was not relevant to overseeing the rural EZ/EC program due to the low population densities in many rural EZs as many rural residents do not work and live in EZs and therefore do not qualify.
- 2) In response to our 2006 observations about the collection of data on how funds were used and the consistency of federal monitoring, HUD streamlined its record-keeping system to allow consistent sharing of management, program, and operational information within OCR.

## Obj. 3: Agency Responses

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- 3) HUD also created the RC/EZ Performance Workbook—a series of Excel spreadsheets—to allow OCR employees to easily access large volumes of data and text from its online Performance Measurement System (PERMS) and other information sources.<sup>1</sup>
- 4) To address the observation in our 2006 report that data on the extent of leveraging were not available, HUD conducted an assessment of leveraging for completed projects in Round II EZs, estimating that these EZs generated public and private investments.
- 5) In an effort to estimate the impact of certain EZ/EC/RC tax benefits on unemployment, HUD used IRS data to estimate the number of jobs generated or supported by EZ/RC employment credits. However, the data could not be tied to specific EZ or RC areas. IRS also expressed concerns about the job estimates.<sup>2</sup>

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<sup>1</sup> HUD officials indicated that they were unable to systematically validate the PERMS data that they received from local administrators.

<sup>2</sup> IRS expressed concerns about the assumptions used in this estimation exercise as well as the underlying assumed cause-and-effect relationship between the credits and the jobs. For example, the estimates could not distinguish between existing and new employees.

## Obj. 3: Agency Responses

- **While HUD and IRS have made some progress in identifying data on employment credits, data on the use of other tax benefits and any impacts in designated communities are largely unavailable.**
  - Data produced through the HUD/IRS partnership revealed that IRS Form 1040 filers were allowed about \$675 million in employment credits (for processing years 1997 through 2008).
    - In an attempt to breakout the data further by specific EZ/RC areas, HUD provided IRS a list of ZIP codes that roughly coincided with EZ and RC Census tracts, with the assumption that there would be some correlation between the filing address of the 1040 filers and where employment credits were taken.<sup>1</sup> The data that IRS returned from the Form 1040 thus identified employment credit use within ZIP codes around these local EZ/RC areas, but HUD stated that data limitations prevented the use of this information for performance measurement purposes. In addition, data could not be broken out by EZ or RC in metropolitan areas containing both an EZ and RC.
    - Without asking for more information on IRS Form 8844, it is still not possible to identify the EZ or RC area where the employment credits were taken.<sup>2</sup> Program administrators emphasized the importance of obtaining available data from IRS on the employment credits in a manner that identifies the communities where the credits were taken. IRS officials told us that changing tax forms can result in significant processing costs. However, an IRS official indicated that since IRS Form 8844 was specifically generated for the EZ/RC program, it would be easier to modify than other forms.

<sup>1</sup> In the absence of information from IRS forms to establish a direct link between employment credits taken and specific EZ/RC area(s) tied to these credits, HUD attempted to use zip codes of 1040 filers taking these credits to approximate where the EZ/EC credits were taken.

<sup>2</sup> IRS and HUD officials noted that privacy laws could limit the level of information that HUD could see in cases where a minimum number of claims were not filed for a given geographic area.



## Obj. 3: Agency Responses

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- IRS also gave HUD some employment credit utilization data gathered from IRS Form 1120 (corporate filers) for processing years 1997 through 2008 that totaled about \$2.6 billion.
  - These data are difficult to connect to specific EZs or RCs because corporations may employ EZ/RC residents in locations that differ from their corporate tax filing address.
  - National data can be identified but not accurately broken down to the specific EZ/RC areas, as corporate ZIP codes are not necessarily within these areas.
- IRS data on utilization of the Work Opportunity Tax Credit is available for processing years 1997 through 2006, but a HUD official stated that these data are less useful because they do not specify whether the employee was eligible due to EZ/RC residency or other factors.
- IRS noted that a change to IRS Form 8844 would require legislative direction or a formal request from an agency to obtain certain information from the form. Changes would encompass allowing for the possibility of the taxpayer having credits from multiple zones as well as data transcription enhancements.

## Obj. 3: Agency Responses

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In summary, in many cases economic conditions improved in communities where the EZ/EC/RC grants and tax benefits were used. But as we reported previously, it has been difficult to isolate the impacts of these programs on conditions in distressed communities without the ability to attribute the tax benefits to EZ/EC/RC areas. We recognize the challenges inherent in evaluating economic development programs. However, without linking tax benefits to the communities where they are taken, important information remains unclear -- for example, the extent to which various tax benefits are being used within each community. Such tax-related information, coupled with more current data on poverty and employment data in such areas, could help program administrators assess the effectiveness of a revitalization program.



## Chicago, IL – Urban RC

### Mission

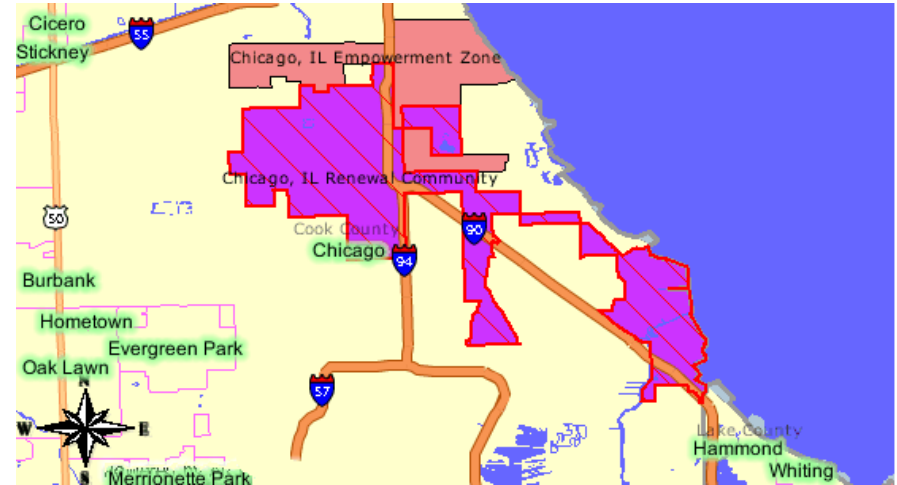
The mission of the Chicago Renewal Community (RC) is to improve the viability and number of businesses located in the RC and promote job creation by using federal tax incentives to enhance the well-being and quality of life for residents. The City of Chicago will continue to stimulate its economic development and revitalization efforts through the designation.

### Summary Data

1990 RC Population: 199,932  
 1990 RC Poverty Rate: 37.28%  
 1990 RC Unemployment Rate: 23.36%

### The Coordinating Responsible Authority (CoRA)<sup>1</sup>

Office of Budget and Management-EZ/RC,  
 Chicago, IL



Source: HUD Web site

<sup>1</sup> The Coordinating Responsible Authority, or CoRA, is the entity, organization, or persons with the responsibility and authority to achieve the state and local government commitments made at the time of application and to undertake the development and administration of policies, procedures, and activities to implement and maximize the federal, state, and local benefits made available in the RC.

## Milwaukee, WI – Urban RC

### Mission

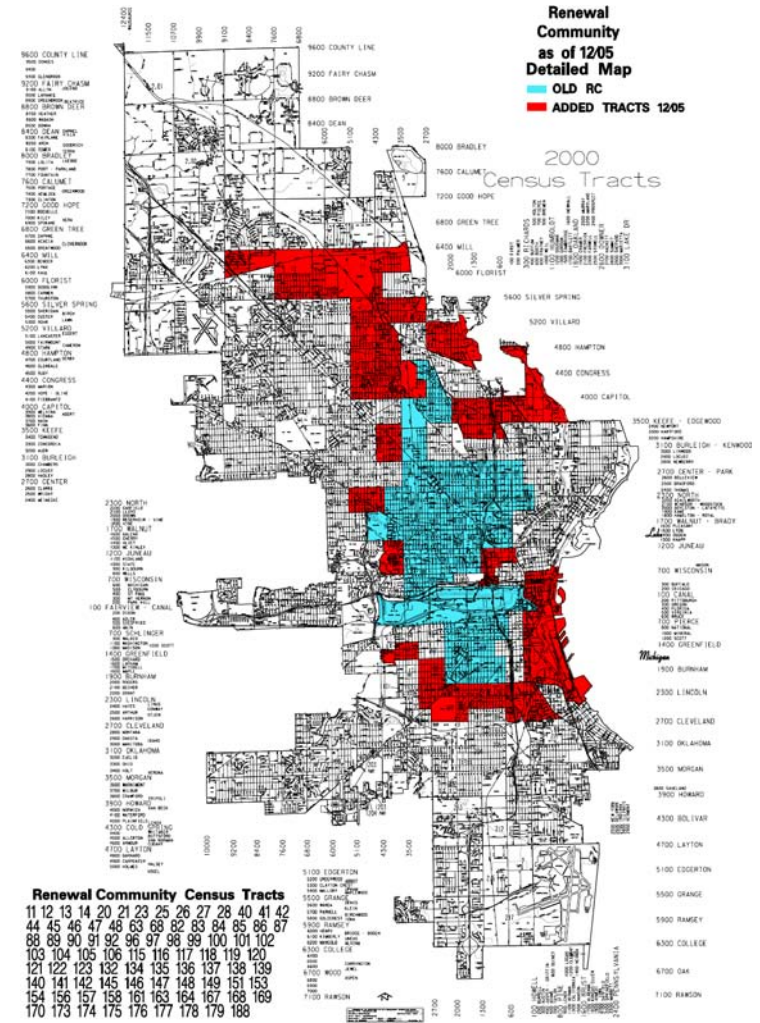
Milwaukee's Redevelopment Authority ("RACM") is the CoRA for Milwaukee's Renewal Community. RACM's mission is to improve the quality of life in Milwaukee neighborhoods by guiding and promoting development that creates jobs, builds wealth, and strengthens the urban environment, and at the same time respects equity, economy and ecology.

### Summary Data<sup>1</sup>

- 1990 RC Population: 124,414
- 1990 RC Poverty Rate: 49.76%
- 1990 RC Unemployment Rate: 20.91%

### CoRA

Milwaukee's Redevelopment Authority is the CoRA for the Milwaukee RC.



Source: Milwaukee RC

<sup>1</sup> These figures represent conditions prior to any boundary expansions.

## Ouachita Parish, Louisiana – Urban RC

### Mission

The mission of the Ouachita Parish Urban Renewal Community is to reduce overall poverty, unemployment and economic distress by creating an atmosphere in which businesses and residents can prosper. This will be accomplished by both encouraging full utilization of tax incentives and by fulfilling state and local commitments.

### Summary Data<sup>1</sup>

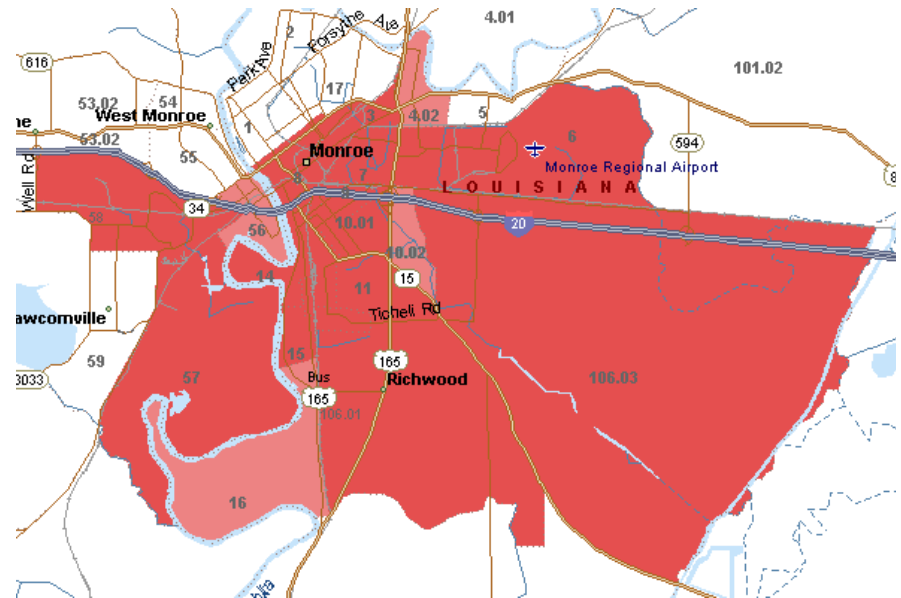
1990 RC Population: 43,276

1990 RC Poverty Rate: 50.07%

1990 RC Unemployment Rate: 17.84%

### CoRA

North Louisiana Economic Development  
Corporation



Source: Renewal Louisiana Web site

<sup>1</sup> These figures represent conditions prior to any boundary expansions.

## Northern Louisiana – Rural RC

### Mission

The Mission of the Northern Louisiana Renewal Community is to inform the existing business community of all Renewal Community tax benefits; attract new business to Renewal Communities through promoting the tax benefits; implement the state and local commitments cited in the RC application and to explore and implement new methods of measuring, educating and providing incentives to businesses in the RC.

### Summary Data<sup>1</sup>

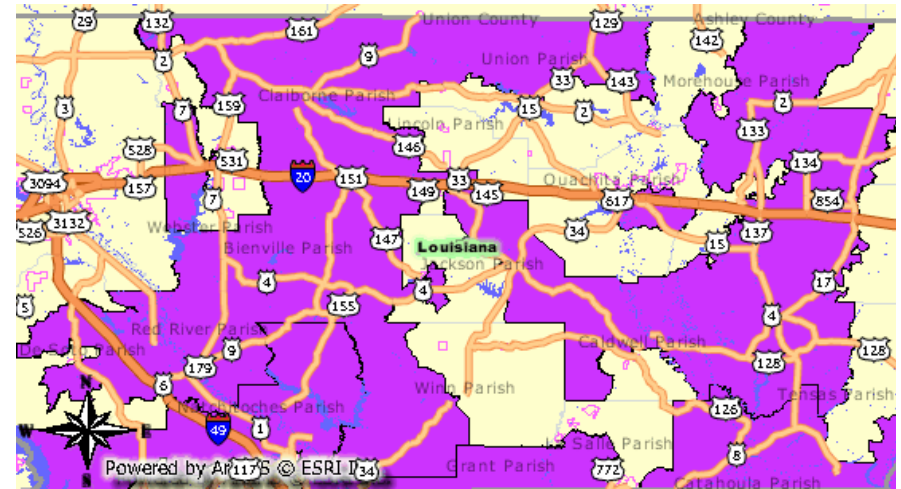
1990 RC Population: 199,291

1990 RC Poverty Rate: 32.99%

1990 RC Unemployment Rate: 12.23%

### CoRA

Northeast Louisiana Economic Alliance



Source: HUD Web site

<sup>1</sup> These figures represent conditions prior to any boundary expansions.

## San Antonio, TX – Urban EZ

### Mission

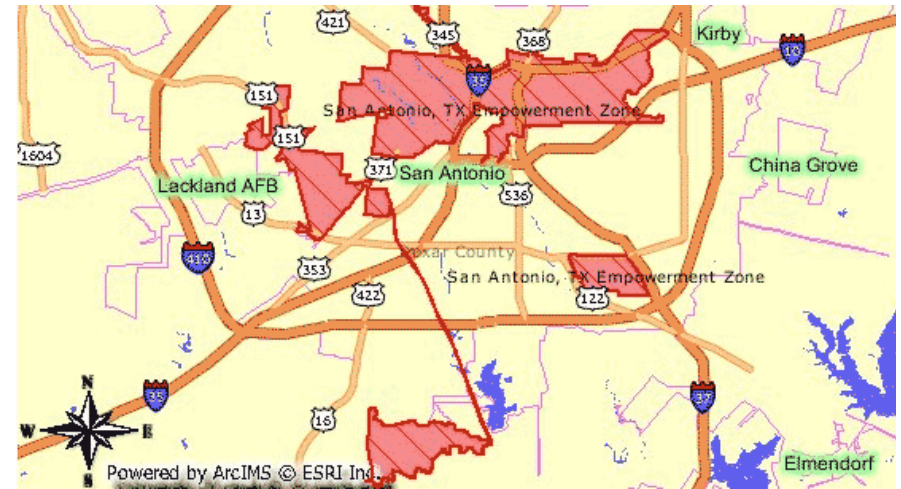
The vision of the San Antonio EZ is to educate, employ and empower families by creating jobs; creating new business and industrial sites; training the workforce; and improving infrastructure to implement their strategic plan for enhanced economic development. The strategic plan includes goals to close the jobs, education, and housing gaps for EZ residents and to build safe, healthy, and sustainable communities through system change.

### Summary Data<sup>1</sup>

2000 EZ Population: 100,219

2000 EZ Poverty Rate: 37.26%

2000 EZ Unemployment Rate: 12.64%



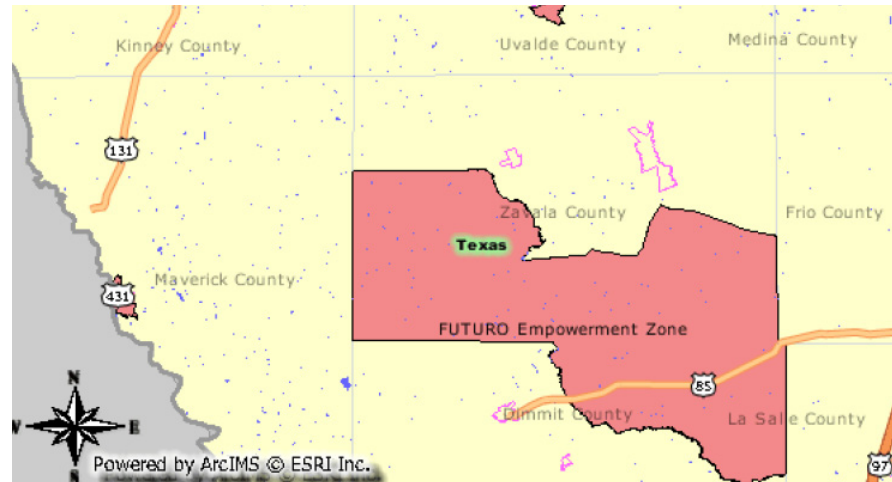
Source: HUD Web site

<sup>1</sup> These figures represent conditions prior to any boundary expansions.

## Middle Rio Grande, TX (FUTURO) – Rural EZ

### Mission

Families United To Utilize Regional Opportunities (FUTURO) is a five county region, mostly Hispanic, in a remote area of rural Texas along the Mexican border. The community experiences pervasive, grinding poverty in less than substandard living conditions. FUTURO residents, local government, and participating business partners agreed that funding for regional projects should benefit all participating communities rather than individual ones. Highlights of FUTURO's strategic plan include industry development and support, consumer services, education and training opportunities, and recreation and tourism development.



Source: HUD Web site

### Summary Data

Counties: Dimmit, LaSalle, Maverick, Uvalde, and Zavala

Community Population: 29,724

Poverty Rate: 46.5%

Net Land Area: 913 square miles

Enclosure II: Comments from the Department of Housing and Urban Development



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

OFFICE OF THE ASSISTANT SECRETARY FOR  
COMMUNITY PLANNING AND DEVELOPMENT

FEB 25 2010

Mr. William B. Shear  
Director  
Financial Markets and Community Investment  
United States Government Accountability Office  
Washington, DC 20548

Dear Mr. Shear:

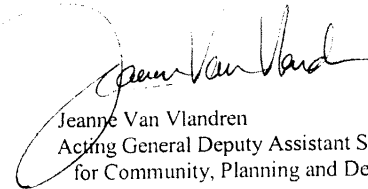
Thank you for incorporating the technical comments offered by the Office of Community Renewal on January 28, 2010, into your draft report to the United States Senate Committee on Finance and the House of Representatives Committee on Ways and Means concerning the revitalization programs of Empowerment Zones, Enterprise Communities, and Renewal Communities.

As the newly appointed Acting General Deputy Assistant Secretary for Community Planning and Development, I found your report enlightening and gratifying, particularly in knowing that HUD has responded to the recommendations and observations made in two earlier GAO reports issued in 2004 and 2006. The draft report notes the steps that HUD has taken to improve data collection and program monitoring for program management purposes.

It is particularly important that GAO's draft report noted the steps HUD has taken to improve data collection and program monitoring and that both HUD and the Internal Revenue Service (IRS) have collaborated to provide outreach and to share data on the use of program tax incentives. The report also highlights the challenges in identifying EZ/EC/RC tax benefits taken and associating them with a given designated community.

In this regard, HUD will aggressively explore the availability of additional sources of data that can reliably measure the EZ/RC businesses' use of the full complement of tax incentives, including the development of reliable data that will tie employment credits and their resulting impact on job creation and business expansion to specific Empowerment Zones and Renewal Communities.

Sincerely,



Jeanne Van Vlandren  
Acting General Deputy Assistant Secretary  
for Community, Planning and Development

[www.hud.gov](http://www.hud.gov)

[espanol.hud.gov](http://espanol.hud.gov)

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