

State tax incentives update: Toyota, Amazon, Disney



David M. Kall | Thursday, September 13, 2018

State tax incentive packages now seem to be ubiquitous in the business environment surrounding firm decisions on where to locate headquarters, offices, manufacturing plants, and other facilities. This trend has emerged despite longstanding concerns over whether companies comply with obligations to create jobs and whether the tax incentives truly affect locational decisions. With many factors in play as firms make site selections, let's take a look at some interesting dynamics that have been on display with some recent tax incentive packages making headlines.

MORE THAN \$\$\$

Toyota and Mazda recently put non-monetary factors in the limelight when they chose to build a new assembly plant in Huntsville, Alabama, even though they could have obtained a larger tax incentive package elsewhere. When the automakers announced their plans for a joint venture to build the plant in August 2017, they received bids with generous tax incentives from several jurisdictions. With the finalists narrowed to two, Huntsville offered a \$1 billion package and Greensboro, North Carolina, offered a \$1.6 billion package. [Toyota and Mazda selected Huntsville](#) despite the smaller package due to its location along an existing automotive supply chain corridor.

AMAZON HQ2

Midwesterners in Columbus, Ohio, are hoping that similar non-monetary dynamics are in play as the Amazon, Inc. sweepstakes for its second headquarters, or HQ2, linger on. It has now been a year since

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Amazon announced plans for its HQ2. With the finalists whittled down to 20 cities, Amazon has said that it will make its choice before the end of the year.

The Amazon HQ2 announcement is perhaps more eagerly anticipated than LeBron James's "Decision 3.0" or Becca choosing Garrett on *The Bachelorette*. A recent [New York Times piece](#) even likened the drama surrounding the Amazon decision to the summer suspense in 1980 over "Who killed J.R.?" in the television series *Dallas*. Clues are everywhere. Alaska Airlines announced a nonstop flight from Seattle to Columbus. Jeff Bezos spotted in Miami.

Who knows, maybe Amazon will take its talents to the Olentangy River in Columbus, Ohio. The area is centrally located for logistical and supply chain purposes. According to a [letter](#) from the Columbus Department of Development and www.columbusnavigator.com, notable elements of the Columbus, Ohio, tax incentive package include the following:

- A 100 percent property tax abatement at all Amazon sites, for 15 years.
- A cash payment pegged to how much Amazon employees pay in Columbus city taxes. 35 percent of those taxes would be returned to Amazon over the first 15 years, capped at \$50,000,000 in one year and \$400,000,000 in total.
- 25 percent of employees' Columbus city taxes would go into a Transit & Mobility Fund or a similar fund to support infrastructure for the project and benefit Amazon.
- As a result, 60 percent of new city tax revenue would be returned to Amazon in one form or another.

We will keep you posted as developments with Amazon HQ2 emerge, but we do not want to spoil what happened in *Dallas*.

DISNEY BACKS OUT

As concerned onlookers wonder why governments are in a rush to subsidize highly profitable businesses such as Amazon, other companies such as Disney are feeling pressure to be a good corporate citizen. Walt Disney Co., which is worth over \$150 billion, reached an agreement with the city of Anaheim, California, in 2015 and 2016 that awarded it \$267 million in hotel tax rebates and prohibited a ticket tax on admissions for 45 years. In return, Disney agreed to invest over \$1 billion to build a new Star Wars area at its famed Disneyland amusement park.

But now, just a few years later, Disney [asked](#) the city of Anaheim to release it from the agreements. In his letter making the request, Disneyland Resort President Josh D'Amaro cited the "[adversarial climate](#)" in the city. The city of Anaheim may be home to The Happiest Place on Earth, but it also has \$590 in unfunded pension liabilities and millions in future tax expenditures going to Disney. Not surprisingly, on Aug. 28, 2018, the city obliged to Disney's request and voted unanimously to end the tax breaks for Disneyland.

Some commentators pointed out that it may be more than Disney's sense of civic pride that is pushing it to disclaim the tax incentives. A ballot measure in November would establish [an \\$18 minimum wage](#) for employers in Anaheim that accept subsidies from the city. The move could therefore help Disney avoid paying additional wages to its workers. And the balance of power on Anaheim City Council has shifted away from Disney at the 2016 general election, even as the corporate giant contributed [\\$1.22 million](#) to political action committees for their preferred candidates.





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