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## APPENDIX E

### **GOZone Benefits**

*(from the Small Business Committee)*

#### **Recommendation**

Investigate and implement grants / tax credits made to small companies for employer retention and new hires.

#### **Employer Grants**

The City of Biloxi could provide grants to Biloxi business owners of up to \$2,400, based on wages paid, for the owner and each family member, and possibly other non-casino Katrina employees, who were on the payroll on August 28, or hired after the storm.

These grants would be similar to the Employer Retention Credit and Work Opportunity Tax Credit provided by the Go Zone laws. Those credits on federal tax returns are to encourage employers to keep employees on their payroll and to hire displaced Katrina employees. However, the business has to owe taxes in order to take advantage of the credits. The business may not owe taxes because of their casualty losses. The credits are not allowed on State tax returns. Also, they do not apply to wages paid to owners or their family members.

Most small businesses employ family members. Post Katrina, when small businesses are having a difficult time finding employees to hire, the owners and their family members are the ones keeping the businesses going.

#### **Procedure**

The City could keep a centralized list of Social Security numbers, so that each employee is only claimed once (by their main employer).

The City would require proof of wages paid, and that the business is located in Biloxi, and the employee lived in the Go Zone on August 28. In the alternative, local banks could administer the grants, after checking with the City to make sure the employee has not already been claimed. The goal is to get the money in the hands of the business owners with as little hassle as possible, but with built-in controls for abuse.

#### **Cost**

Maximum \$2,400 per year for each owner and retained or newly hired family member, and possibly other non-casino Katrina employees, employed by a Biloxi business, each year for the years 2005 through 2008, plus a flat fee or small percentage to banks if banks administer the grants. Although the federal Employee Retention Credit only applies to 2005 and during the period that the business was operating at less than 80% of capacity, my suggestion is to provide a grant for years 2005 through 2008 and regardless of operating capacity.

#### **Result**

Quick cash-in hand is one of the best ways for the City of Biloxi to help business owners. These grants could be a lifeline for small business owners who are anxiously using their personal savings while waiting for insurance and SBA loans. They are spending inordinate amounts of time filling out paperwork, trying to keep employees, working long hours themselves, and trying to get their homes in order. These grants would provide a boost to our local economy, and likely result in a good portion the money being recycled back to the City.