

Use of the Federal Job Credit by District Hotels

Federal Job Credits Claimed by District Hotels

Businesses in the District of Columbia that employ District residents in census tracts with more than a 20 percent poverty rate in the 1990 census are eligible for a credit against federal tax liability of 20 percent of wages up to \$15,000. The maximum credit for each employee is \$3,000. The goal of this credit apparently is to increase employment of District residents and to encourage businesses to locate in poorer areas of the city.

A survey of hotels in the District identified 20 that appear to be in poverty tracts and should be eligible for the federal job credit for employing District residents. With the assistance of the Hotel Association of Washington, D.C., a survey was addressed to each of these hotels asking for information about the use of tax credits. The completed surveys were returned to the Association and the results forwarded to the Research Center to protect confidentiality. Seven hotels returned surveys, but only five of them completed questions about amount of credits claimed.

The five responding hotels employ 1,997 persons, and 713 of those were reported as District residents for whom the hotels were eligible for the credit. The total amount claimed by these hotels was \$1,409,956 or an average of about \$2,000 per employee for whom the credit was claimed. One smaller hotel with 198 employees had an average credit claimed of \$2,914. This was the only hotel that responded yes to giving preference to District residents in its hiring practices in 1998. Three other hotels, however, indicated they would be more aggressive in hiring District residents in the future. The substantial amount of the credits claimed by these five hotels, and the positive responses to the future hiring policy question, suggests that, for hotels at least, the credits may create more demand for District residents to fill jobs eligible for the credit.

None of the respondents made any changes in their work practices, such as hiring more temporary or part-time workers, to maximize the credit. The possibility that the credit might result in employment policies adverse to District residents obtaining full time permanent jobs does not seem to be a problem. There were also no administrative problems reported, such as difficulties in verifying residency.

The results of the survey are shown for each hotel on the reverse side.

Hotel Job Credit Survey

Hotel	A	B	C	D	E*	Total	F	G
Total Employees	640	198	550	106	503	1,997	21	
Resident Credits Claimed	238	64	204	36	171	713		
Percent	37.2%	32.3%	37.1%	34.0%	34.0%	35.7%		
Amount of Credits	\$504,690	186,518	386,088	81,089	251,571	1,409,956		
Average per Employee	\$2,121	\$2,914	\$1,893	\$2,252	\$1,471	\$1,977		
Preference in Hiring Residents in 1998	No	Yes	No	No	No		No	No
More Aggressive Future Recruiting	No	Yes	Yes	Yes	No		No	Yes
Changes in Work Practices	No		No	No	No		No	No
Administrative Problems	No	No	No	No			No	No

* Number of resident credits claimed were estimated.