

THE
PEW
CENTER ON THE STATES

Evidence Counts

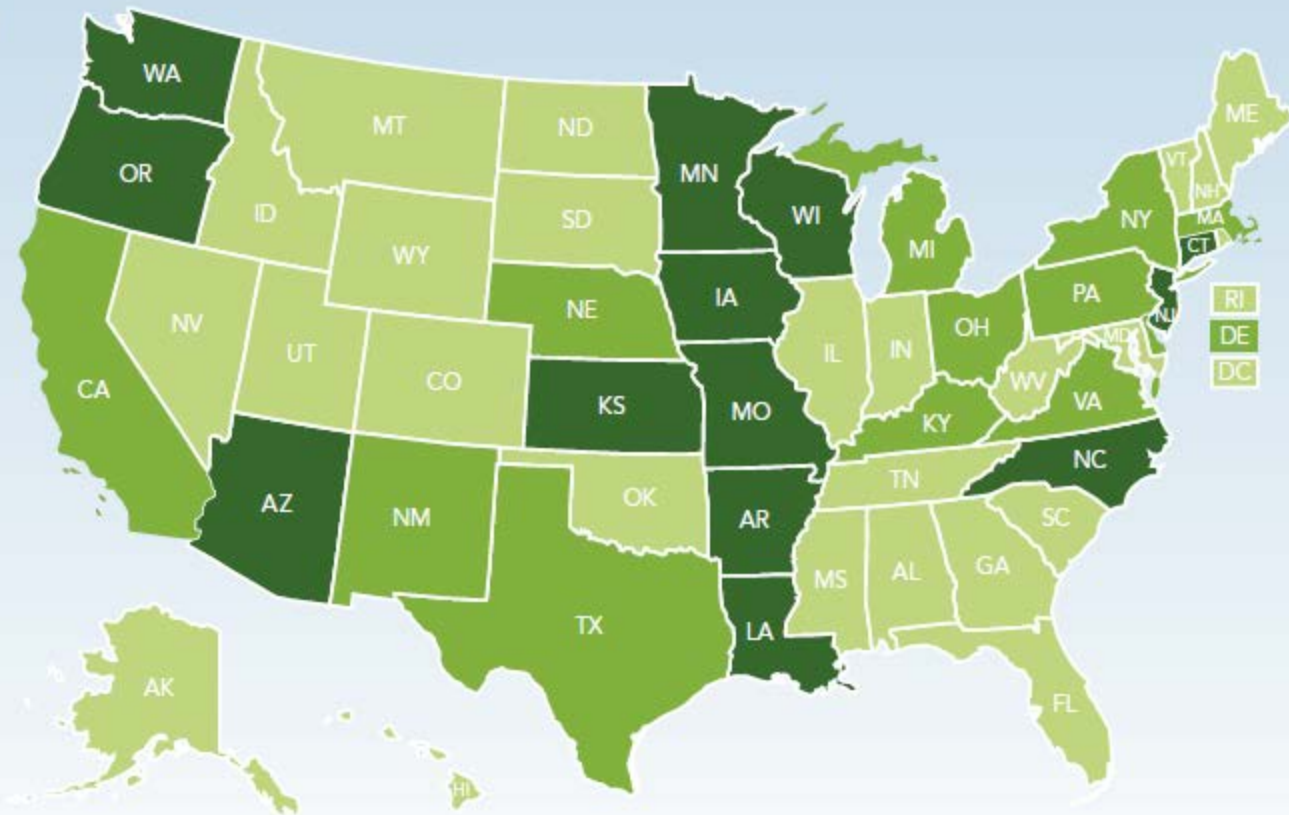
Evaluating State Tax Incentives
for Jobs and Growth

How well are states evaluating tax incentives for economic development?

13 ▲
Leading the way

12 ◊
Mixed results

26 ▼
Trailing behind



4 states leading the way on scope



Inform policy choices

Build evaluation of incentives into policy and budget deliberations to ensure lawmakers use the results.



Include all major tax incentives

Establish a strategic and ongoing schedule to review all tax incentives for economic development.



10 states leading the way on quality



Arkansas
Connecticut
Kansas
Louisiana
Minnesota
Missouri
New Jersey
North Carolina
Oregon
Wisconsin



Measure economic impact

Ask and answer the right questions using good data and analysis.



Draw clear conclusions

Determine whether tax incentives are achieving the state's goals.



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Ask and answer the right questions
using good data and analysis.

1. “But for”

To what extent did tax incentives change businesses’ decisions, and how much did they reward what would have happened anyway?



2. Displacement

To what extent did the incentive benefit some businesses or individuals at the expense of others?

3. Leakage

How much of the benefit of the incentive flowed across state borders?

4. Timing

When will the costs and benefits of the incentive occur, and how long will they last?

5. Opportunity Costs

What were the adverse economic impacts of the tax increases or spending cuts made to fund the incentive? Do the benefits of the incentive outweigh those impacts?

6. Multiplier Effects

To what extent do the investments of companies receiving incentives filter into the broader economy, causing further economic gains?

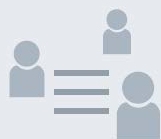




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4 steps states can take for effective evaluations



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Draw clear conclusions

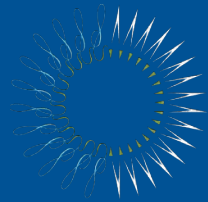
Determine whether tax incentives are achieving the state's goals.

Tools that states can use to identify and control the costs of tax incentives before they are passed:

- Reliable cost estimates
- Annual cost controls

Reliable cost estimates:

- Account for the expected economic impact of proposed tax incentives
- Warn legislators about uncertainty



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www.pewstates.org/taxincentives