How well are states evaluating tax incentives for economic development?

13 ▲ Leading the way
12 ◀ Mixed results
26 ▼ Trailing behind

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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.

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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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Measure economic impact

Ask and answer the right questions using good data and analysis.
1. Cause and effect
To what extent did tax incentives change businesses’ decisions, and how much did they reward what would have happened anyway?
2. Winners and losers
To what extent did the incentive benefit some businesses or individuals at the expense of others?
3. Unintended beneficiaries
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. Economics of budget trade-offs
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. Indirect impacts

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

Determine whether tax incentives are achieving the state’s goals.
4 steps states can take for effective evaluations

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