



# Could Work From Home Have Significant Fiscal Implications for Local Government?

Presentation to NCSL Roundtable on Evaluating Economic Development Tax Incentives  
Denver, CO  
October 24, 2023



# Today's Presentation

How to prepare for a Zoom meeting



- WFH prevalence.
- Indicators of WFH.
- Fiscal impacts of WFH.
- Economic impacts of WFH.

# Projections of WFH Prevalence

- Dingle and Neiman (2020), Dey, et al. (2020), & Lund, et al. (2020)
  - Classify WFH feasibility based on work activities of occupations.
- ~31% - 43% of U.S. workers can work remotely at least part-time without loss of productivity.
- WFH prevalence depends on type of occupation or industry.
  - Impact on cities depends on industry mix.
  - Could have significant distributional or equity implications.

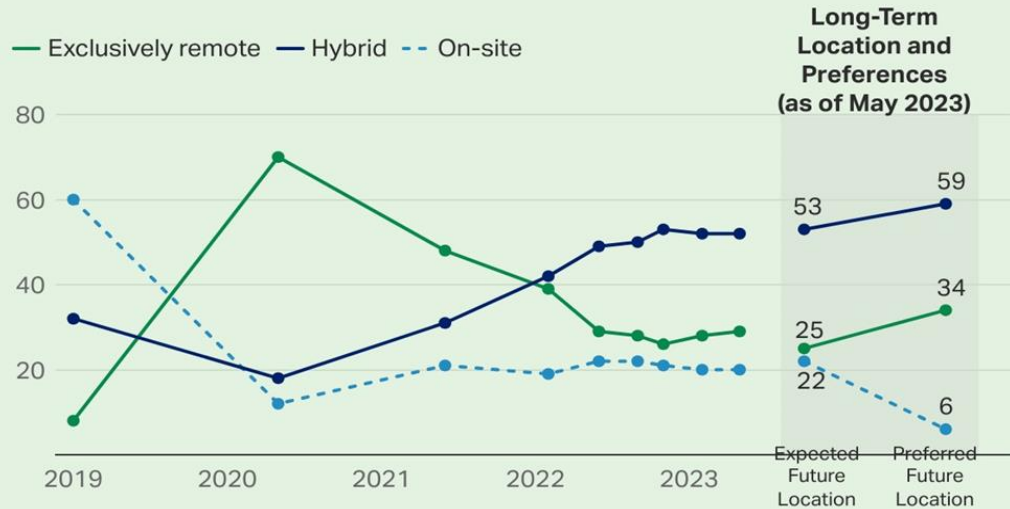
# Why WFH Will Persist

- Barrero, et al. (2021)
- Reasons
  - Better-than-expected WFH experiences during the pandemic.
  - New investments in physical and human capital to enable WFH.
  - Greatly diminished stigma associated with WFH.
  - Pandemic-driven surge in technological innovations supporting WFH.

# WFH Survey Findings

## Work Locations for Remote-Capable Jobs

Over half of remote-capable employees expect and prefer hybrid work.



% Remote-capable employees working (or expecting or preferring to work) at each location. Dates that appear when hovering over "expected" and "preferred" data are placeholders for purposes of data visualization.

GALLUP

## Number of Days Worked On-Site by Hybrid Employees

The number of days worked on-site largely varies.



GALLUP

# Indirect Indicators of WFH

## Downtown Cell Phone Usage

**Down**

Still below pre-pandemic levels.  
Apr/June 2019-2023  
comparison shows usage at 75%  
of pre-pandemic levels for 55  
major U.S. cities

## Downtown Office Vacancy Rates

**Up**

Still higher than pre-pandemic  
levels.  
Vacancy growth in downtowns and  
suburbs; still lower vacancy rates in  
suburbs.  
Leasing activity low; subleasing  
activity high.

## Public Transit Ridership

**Down**

Still 30% below pre-pandemic levels  
as of May 2023.  
Stronger recovery in bus vs. rail  
ridership.

# Local Fiscal/Economic Implications

## Property Tax

- Tax base decline or slower growth
  - Dependent on industry mix
  - Commercial office center vacancies & price mark downs
  - Retail declines & price mark downs
- Tax burden shifts
  - Shift from commercial office to other property classes
- Nominal tax rate increases
  - Impact on economic development
  - Impact on distribution of tax burden
- Other
  - TIF impacts
  - Conversions

# Local Fiscal/Economic Implications

## Sales Tax

- Commuter spending
  - Decline in spending and tax revenue
  - Net impact of fewer commuters out
- Suburban impact
  - Suburbs lose commuters in
  - Changing consumer behavior
- Burden shifts
  - Shift from suburban commuters to city residents
- Tax rate increases
  - Does base mobility increase?



# Local Fiscal/Economic Implications

## Income Tax

- Dependent on community's industry mix
- Source-based vs. residence-based tax
  - Source-based may be a bigger issue
  - Simple change work location – office to home
  - Change in residential location from city to suburb or exurb.
- Smaller community impact
  - Large employer, smaller community, source-based tax

# Local Fiscal/Economic Implications

## Transit Fares

- Service reductions
  - Demand impacts
- Fare increases
  - Demand impacts
- Other revenue sources
  - Regional taxes
  - State funding



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# Thank You.

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# Fiscal and Economic Impacts of Remote Work and Incentives

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ELLEN HARPEL

ROUNDTABLE ON EVALUATING ECONOMIC  
DEVELOPMENT TAX INCENTIVES

DENVER, CO  
OCTOBER 2023





## Rise of incentive programs to attract remote workers



# Studies found largely positive impacts in Tulsa and Vermont

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Remote worker incentive programs have been effective in attracting new people and generating economic gains

Long-term effects are still to be determined, but early signs are positive

- 74% of Vermont remote worker grant survey respondents own their own residence
- Retention rates were 87.5% in Tulsa and 97% in Vermont

Analyses indicate that worker-focused incentive programs provide a strong return on investment

- Outsized economic impact stems from the highly-educated, high earning nature of remote workers
- Relatively low cost of most remote worker incentives

# Additional economic issues arise beyond program impact

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Remote work has different effects on people, businesses and places

- Significant direct benefits for remote workers and their families
  - But primarily for more experienced, college educated workers
  - Individual characteristics rather than regional characteristics are the best predictors of remote work\*
- Net effect for businesses is not yet clear because of countervailing implications for innovation and productivity
- Central business districts face challenges as work disperses

Remote work incentives are most effective when part of a more comprehensive strategy

- Housing, childcare, recreational and cultural amenities, broadband
- Welcoming attitude and creating meaningful community connections

\* New Geography of Remote Work, OECD

# The landscape of remote worker incentives is changing

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Appears to be slowing growth and churn in incentive programs for remote workers

- Same number of communities offering remote work incentives in 2023 as in 2021\*
- Some of the early programs – Vermont, Savannah, Hawaii, NW Arkansas – are no longer active
- Others such as Tulsa, West Virginia, Topeka, Paducah, Shoals (AL) are still running their programs

Cities have begun offering incentives to lure businesses and workers back to the office

\* makemymove.com and Stateline 2021

# Louisville using new incentives to bring businesses downtown

Louisville Public Media | By [Jacob Munoz](#)  
Published October 6, 2023 at 6:00 AM EDT



## SF Mayor London Breed tries tax breaks to spur Downtown turnaround

# City of Portland, Oregon Enacts Downtown Business Incentive Credit

September 26, 2023 · 5 minute read



## D.C. Council proposes more incentives to address office, retail vacancies

A group from the Great Lakes Metro Chambers Coalition recently met with elected officials in Washington, D.C., lobbying for incentives for businesses that make commitments to U.S. downtowns. (WSJ 10/2/23)

# Issues for Evaluations

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1. Is the program connected to an economic development strategy?
2. Does the evaluation need to consider effects for different geographies?
3. How can point-in-time evaluations incorporate broader economic or policy implications?
  - How to evaluate incentives that are meant to address an ongoing, changing economic challenge? (remote work, housing, workforce development)
  - How to evaluate incentives that function best as part of broader system? (individual relocations, entrepreneurship)

# Connect

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