

Why do we care?

State incentive costs*

- ~ \$20 to \$30 billion per year
- ~ \$5 to \$216 per capita

*Sources: Bartik (2017). A New Panel Database on Business Incentives for Economic Development Offered by State and Local Governments in the United States. Upjohn Institute.

Slattery and Zidar (2020). *Evaluating State and Local Business Incentives*. Journal of Economic Perspectives.



DME PROGRAMS ABOUT MEDIA LOGIN

Welcome to the State Business Incentives Database! Your one stop resource for information about incentive programs in all 50 states

Incentive Programs Currently Offered in Each State, by Number of Programs

Number of Programs in the U.S.: 2,419

Top 5 Program Types in the U.S. (by Number of Programs)

Tax credit (671)
Grant (566)

Loan/Loan Participation (479)

Tax exemption (310)

Other (226)

New programs enacted since 2023:

- Delaware Agricultural Financing Program (DAFP)
- Small Business Emergency Bridge Loan Program
- Georgia Venture Capital Program
- High-Tech Companies Sales and Use Tax Exemption
- The East Palestine Emergency Support Program
- Perform A
- Public Private Partnership (P3) Program (Pooled Finance)
- Agricultural Overtime Repayable Award
 Program
- CHIPS Manufacturing and Research
 Grant
- Technical Assistance for Underrepresented Businesses Program
- plus 6 more

U.S. Virgin

Puerto

View All State Programs

Darker shades represent higher numbers of incentive programs. Click on a state for more information.

American

We also care because . . .

It's tough to make predictions, especially about the future.

- Yogi Berra -





We care because of their budget implications



- Our estimates inform . . .
 - decisions on legislation
 - budget decision making
 - revenue forecasts
- They provide . . .
 - a baseline for analyzing future legislative changes
 - information for evaluating incentive program effectiveness and impacts



We also care because . . .







What are we estimating?

- Tax Incentives:
- credits
- deductions
- exemptions
- abatements
- rebates
- Direct Grants/Subsidies
- job training
- infrastructure

- Incentives for specific economic activity
- job creation
- capital investment
- research and development
- venture capital
- Industry-specific incentives
- manufacturing
- logistics
- pharma, life sciences
- technology, renewable energy
- housing
- Place-based incentives
- TIF
- enterprise zones, etc.
- General tax rate reductions
- personal income
- corporate income



How are we estimating? What to consider?

Costs

Direct

- revenue loss
- grant/subsidy cost

Indirect

- program administration
- service increases
- in-migration costs

Benefits

Economic activity

- job creation
- investment
- spending

Tax Revenue

 revenue from additional economic activity



How are we estimating? Methodology

Static Analysis

no behavioral changes

Micro-dynamic analysis

accounts for behavior changes by those directly affected by incentive

Macro-dynamic analysis

accounts for behavior changes by those NOT directly affected by incentive

Multiple methods

different data, different methods could produce a reasonable range

Sensitivity analysis

how changes in key assumptions or parameters impact estimates

Smell test your results

• does your estimate make sense in the aggregate, for instance

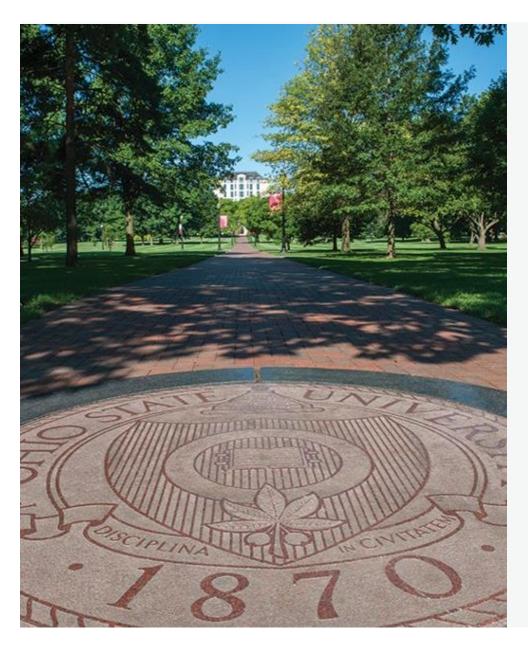


Complicating factors



- Data, data, data
 - o employment
 - o wages
 - o investment
- Automatic vs. Discretionary
- Underlying growth
- Carve-outs
- Contingent liabilities
- Piggybacking on federal incentives
- Time, time, time





Thank You.

Jim Landers, PhD
Associate Professor of Practice in Public Affairs
Enarson Fellow
Director of Graduate/Professional Studies
landers.1@osu.edu
614-292-2158