

# **USING IMPLAN IN TAX INCENTIVE EVALUATION**

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Economic Development Tax Incentives,  
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HEATH HOLLOWAY  
INDIANA LEGISLATIVE SERVICES AGENCY

# Input-Output Modeling Approach

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**Determine Region and  
Economic Activity Type and  
Level**



**Enter the Parameters into the  
Software**



**Analyze the Model Results**

# EDGE Tax Credit

**Established to encourage businesses to either create new jobs or retain existing in-state jobs**

- The credit equals a portion of the withholding attributable to the new or retained jobs.
- A break-even analysis was used to measure how much new economic activity is necessary to cover the cost of an action.
- Scenarios were built using historical project data from the Indiana Economic Development Corporation (IEDC) and economic impacts computed through the IMPLAN input-output software.

# EDGE Tax Credit

Developed scenarios to measure the potential break-even for projects in 10 industrial sectors

While the simulations do not provide insight on the effectiveness of EDGE, they do suggest the risk of Indiana not recovering the amount of foregone revenue as a result of EDGE credit certifications is low.

Per 100 Jobs Created	Automotive Manufacturing	Professional and Technical Services
Forgone Tax Revenues	\$90,500	\$149,369
State Tax Revenue Impact	\$2,223,093	\$976,434
Forgone Tax Revenue as a Share of the State Tax Revenue	4.1%	15.3%

# Hoosier Business Investment Tax Credit

Established to encourage capital investments in Indiana

- The credit equals up to 10% of the qualified investment.
- Like EDGE, a break-even analysis was conducted using Hoosier Business Investment tax credit project data.
- Scenarios were built using historical project data from the Indiana Economic Development Corporation (IEDC) with economic impacts computed through the IMPLAN input-output software.

# Hoosier Business Investment Tax Credit

The break-even points for HBI projects were generally higher than EDGE.

- The model measured general spending.
- The results would be different if the investment related spending was targeted to specific commodities.
- The model does not assume an increase in sales or jobs.

Per \$1 million Investment	Automotive Manufacturing	Professional and Technical Services
Forgone Tax Revenues	\$2,550	\$26,056
State Tax Revenue Impact	\$10,406	\$29,477
Forgone Tax Revenue as a Share of the State Tax Revenue	24.5%	88.4%

# Home Insulation Deduction

The deduction equals up to \$1,000 of the material and professional installation costs.

- U.S. Census data was used to estimate the total spending associated with the deduction claims.
- The model assumes consumers will purchase insulation products from local retail or wholesale suppliers and use local labor for professional installations.
- An IMPLAN model was developed so the supply chain impact is limited to the necessary intermediate goods and services to support the home insulation products.

# Home Insulation Deduction

The estimated spending induced by the deduction is based on a study of a federal tax credit.

Activity Measured: \$737,761

Economic Impact from...	Employment	Labor Income	Output
the activity directly	3.3	\$172,950	\$516,679
inter-industry spending through the supply chain	1.4	64,316	185,117
local spending of wages and salaries	<u>1.5</u>	<u>56,962</u>	<u>172,861</u>
<b>Total Impact</b>	<b>6.2</b>	<b>\$294,288</b>	<b>\$874,657</b>



# References

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**Thank You**

**Heath Holloway, Deputy Director**