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A New Business Incentives Database

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A New Business Incentives Database

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Webinar based on new report:

**“A New Panel Database on Business Incentives for
Economic Development Offered by State and
Local Governments in the United States”**

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What is new about this new incentives database?

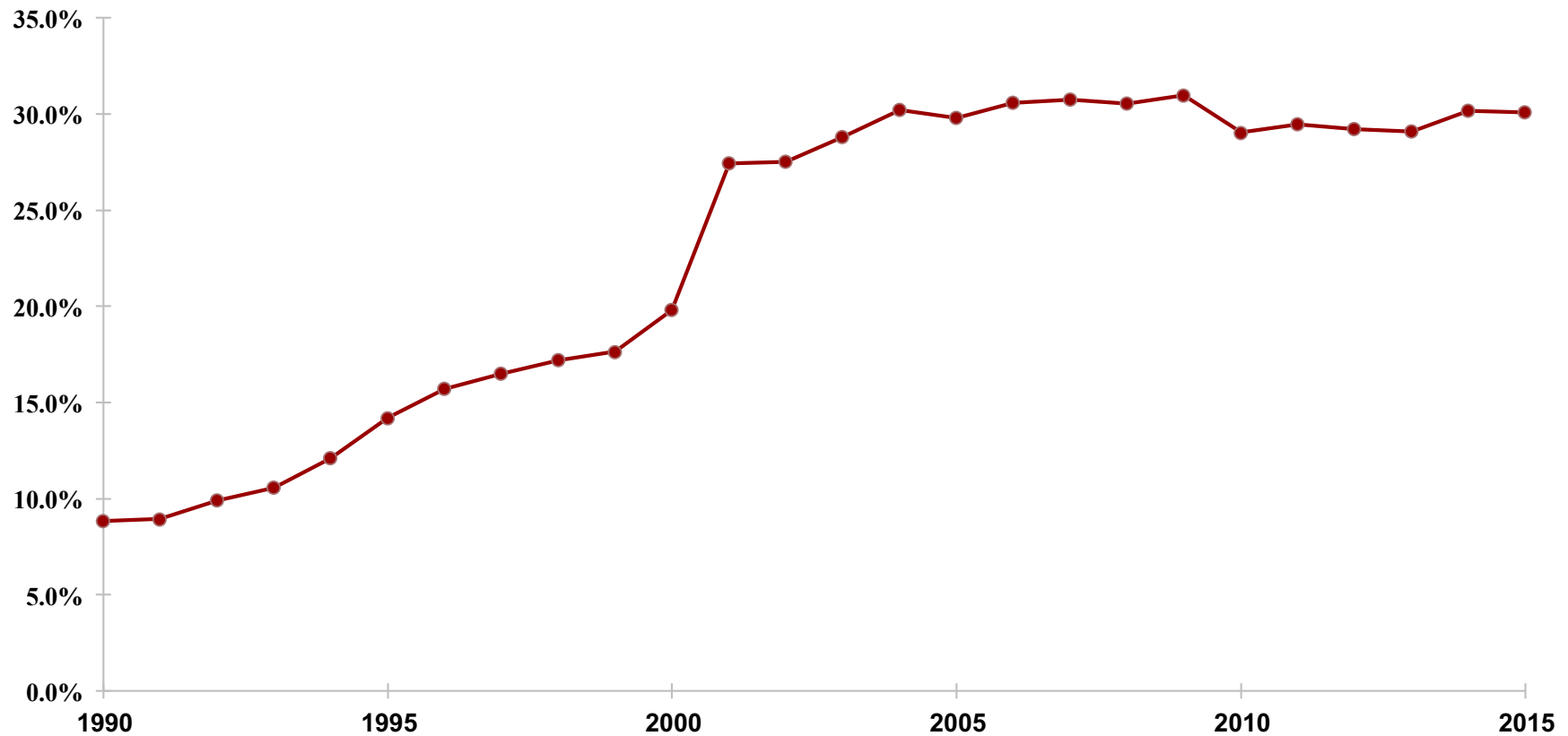
- More industry detail (45 industries, over 90% of wages)
- More years (26 years, 1990-2015)
- 33 states (over 90% of US output)
- More detail on types of incentives, and on timing over life of firms.
- Allows for more analysis of whether states appropriately target industries offering higher benefits for state.
- Allows for analysis of effects of proposed incentive reforms.
- Open-access to researchers, policymakers, public.

New database shows incentives for export-base industries are large. As of 2015, average incentives are:

- 1.42% of business value-added.
- 5.83% of business profits.
- 30.1% of state/local business taxes.
- \$2,457 per worker “job-year”.
- Estimated annual national cost of \$45 billion.

Incentives have tripled since 1990

Incentives as Percentage of State and Local Business Taxes



SOURCE: Author's calculations.

Incentives don't vary enough with industry characteristics that predict how much new industry will benefit state residents. For example, not much variation with wages:



**Incentives vary a lot even across nearby states.
Incentives are not strongly correlated with past or future economic outcomes by state.**

- New Mexico: 4.23% of value-added; Arizona: 1.06%.
- New York: 3.53%; Connecticut: 0.65%.
- Louisiana: 3.33%; Texas: 1.24%.
- Indiana: 2.68%; Illinois: 1.35%.
- S. Carolina: 2.39%; N. Carolina: 0.93%.
- Wisconsin: 1.52%; Minnesota: 1.14%.
- Oregon: 0.70%; Washington: 0.09%.

Questions?

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