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:

Average incentives as % of value-added for 31 industries, versus industry wages per FTE worker
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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