EVIDENCE COUNTS

How to measure the results of your tax incentives

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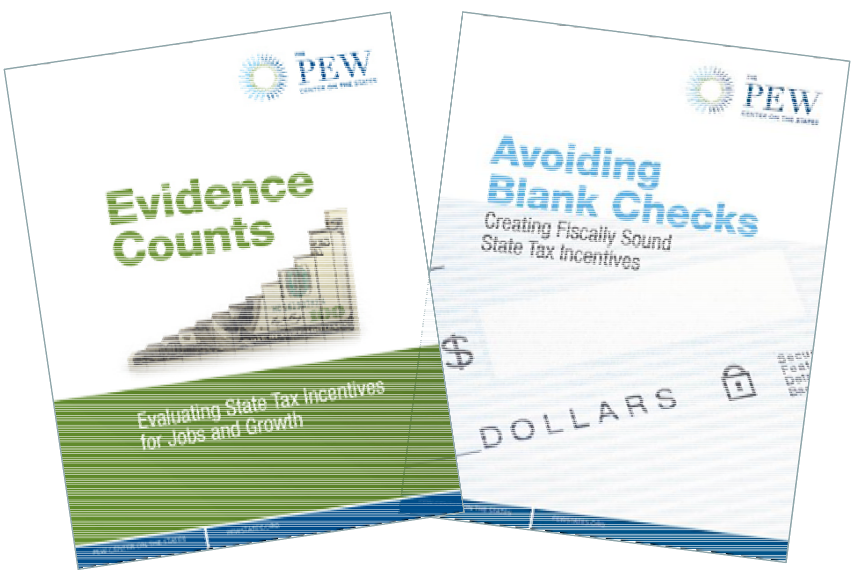

To measure the results of economic development tax incentives, you need:

- Clear, measurable, specific goals
- Relevant economic and fiscal data
- An evaluation plan

To set goals for tax incentives, states have:

- Required all new tax incentive proposals to include purpose statements
- Revisited existing tax incentives to ensure that all have clear, up-to-date goals

To collect data on tax incentives, states can:

- Ensure that state agencies work together to compile information on the fiscal costs and economic benefits of tax incentives
- Require businesses to provide relevant information as a condition of getting the benefit

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Key evaluation plan questions

- Which programs will be reviewed?
- What office should conduct the evaluations?
- How often should they take place?
- How will the results be connected to the policymaking process?

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Rhode Island’s evaluation plan

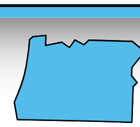
Scope: All economic development tax incentives

Evaluation office: Department of Revenue

Frequency: At least once every 3 years for existing incentives, within 5 years for newly created ones

Connection to policymaking: Governor’s budget includes recommendations on evaluated programs; legislative hearings

Oregon’s evaluation plan



Scope: All tax credits

Evaluation office: Staff of Legislative Revenue Office; agencies administering tax credits

Frequency: At least once every 6 years

Connection to policymaking: Joint Tax Credit Committee; sunset dates encourage review

Questions evaluations should answer to measure economic impact:

- To what extent did the incentive influence the choices businesses made?
- How did the incentive affect the economy as a whole, rather than only the companies that received it?

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Questions evaluations should answer to draw policy-relevant conclusions:

- Is the program a cost-effective way to achieve its goal, compared to alternative uses of the state's resources?
- How can the program be improved?

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Potential first steps to evaluate tax incentives:

- Identify clear, measurable, specific goals
- Collect relevant economic and fiscal data
- Develop an evaluation plan

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www.pewstates.org/taxincentives