

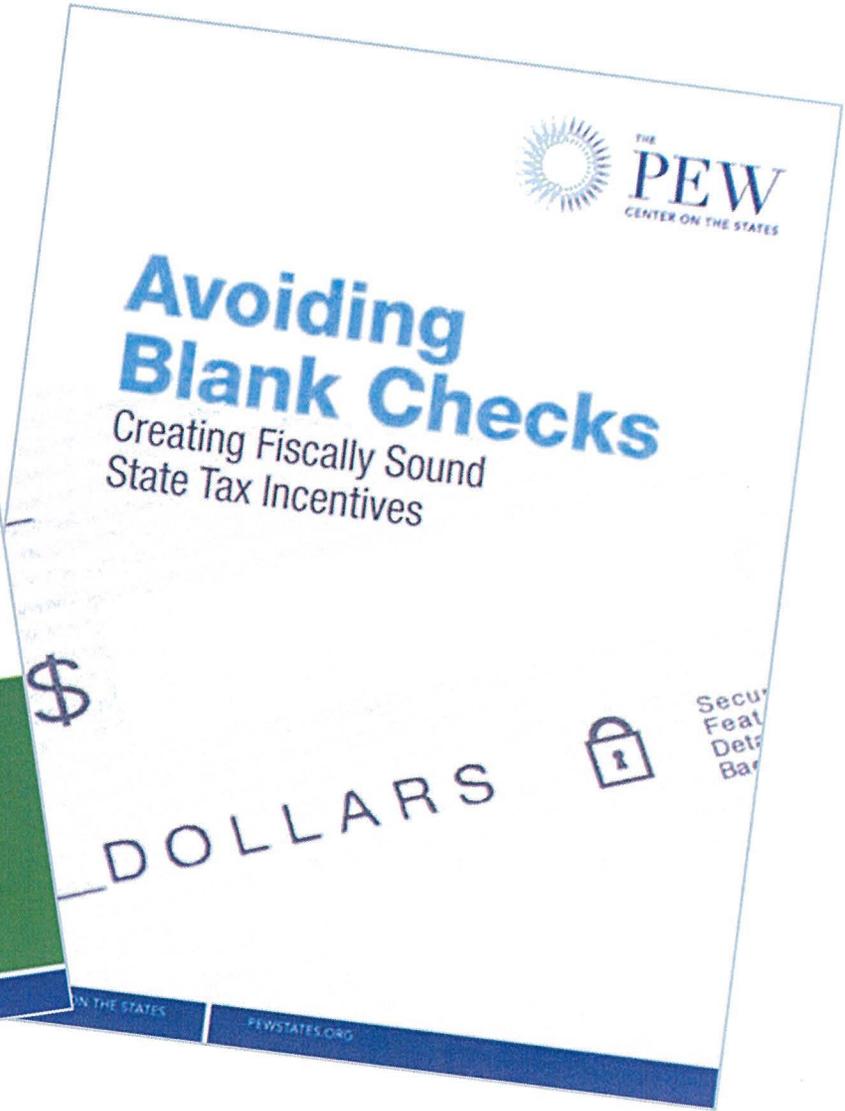
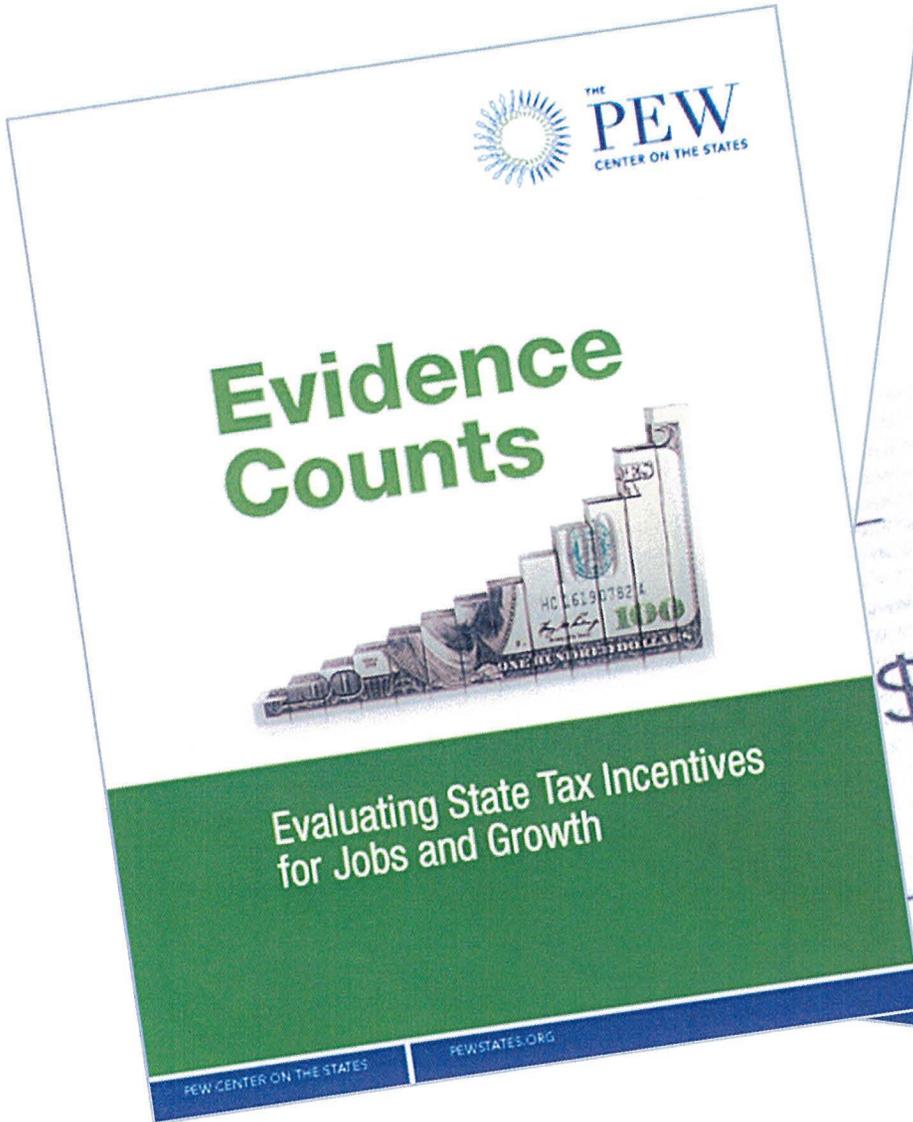
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Ongoing Evaluation of Economic Development Tax Incentives

North Dakota Taxation Committee

November 6, 2013

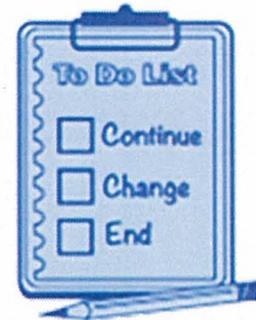
Jeff Chapman



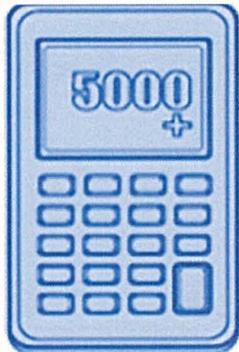
Four Principles for Tax Incentive Evaluation



① Review all tax incentives regularly according to a strategic schedule.



② Evaluate performance based on measurable goals.



③ Measure the benefits and costs using rigorous evaluation.

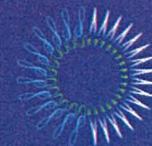


④ Use evidence to inform policy choices.



① Review all tax incentives regularly according to a strategic schedule.

- Strike a balance between resources, timeliness, and depth of the analysis
- Ensure evaluations are ready in time for budget and policy decisions
- Consider grouping tax incentives with similar goals together.





② Evaluate performance based on measurable goals.

How is the incentive intended to fit into the state's strategy?



Is the incentive still consistent with the state's priorities?

What is the specific, measurable goal of the incentive?

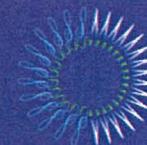


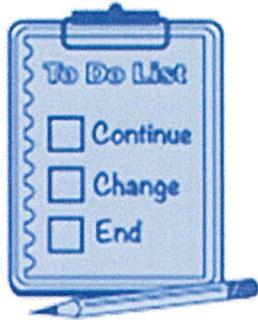
Has it achieved its goal? Is it cost effective? Are there better alternatives?

What is the best way to design this incentive?



Can it be improved? Can what works be applied to other programs?





② Evaluate performance based on measurable goals.

How do we measure investment?

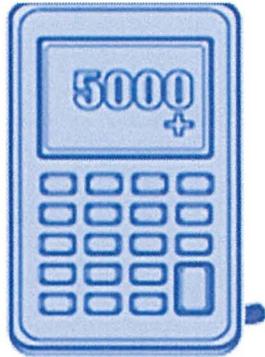
How do we know if it's incentivizing or rewarding?

What does substantially mean?

- credit for substantially increased research & development:
- "Provides an incentive for businesses to substantially increase investment in research and development."

What is a good ROI for the state's investment?

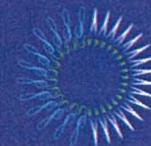
Is this the final desired outcome or means to an end?



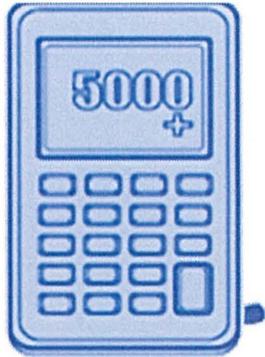
③ Measure the benefits and costs using rigorous evaluation.

ECONOMIC DEVELOPMENT TAX INCENTIVES:

Exceptions to regular tax rules designed to achieve an economic goal by encouraging businesses to do something that they otherwise would not have done.



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③ Measure the benefits and costs using rigorous evaluation.

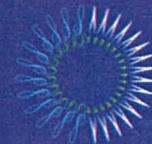
- To what extent did the incentive affect business' choices?
- How were existing businesses affected by the incentives?
- Did the benefits outweigh the negative effects of paying for it?



④ Use evidence to inform policy choices.

How can the evaluations be best connected to policy decision-making?

- Oregon's sunset approach
- Legislative hearings, e.g. Washington, Iowa, and Arizona
- Rhode Island approach





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