

Economic Development Incentives By State

TABLE A.1

Matrix of State Tax Incentives

	Job creation	Investment credit	Enterprise zone	TARGETED TAX CREDITS				Tax expenditure or incentive report*
				Agriculture	Technology	Manufacturing	Film	
Alabama	X	X	X				X	
Alaska							X	I
Arizona	X	X				X		E
Arkansas	X	X					X	I
California	X						X	E
Colorado	X	X	X	X	X	X	X	E
Connecticut		X	X			X	X	E
Delaware	X	X						E
District of Columbia					X			E
Florida	X	X	X	X	X	X	X	I
Georgia	X	X	X				X	E
Hawaii			X	X	X		X	E
Idaho	X	X			X	X		
Illinois		X					X	E
Indiana	X	X	X		X			E
Iowa	X	X	X					
Kansas	X	X		X		X		E
Kentucky	X	X					X	E
Louisiana	X	X	X		X	X	X	E
Maine		X			X			I
Maryland	X	X	X	X			X	
Massachusetts	X	X			X		X	I
Michigan							X	E
Minnesota	X	X	X	X		X	X	E
Mississippi	X	X			X	X	X	I
Missouri	X	X		X				I
Montana	X	X	X	X			X	E
Nebraska	X	X	X	X		X		I
Nevada							X	
New Hampshire	X	X	X					E
New Jersey	X	X	X		X		X	E
New Mexico	X	X		X	X	X	X	E
New York	X	X			X		X	E
North Carolina						X	X	I
North Dakota	X		X	X		X		
Ohio	X	X	X				X	I
Oklahoma	X	X		X	X	X	X	E
Oregon			X	X			X	E
Pennsylvania	X	X	X				X	E
Rhode Island	X	X				X	X	E
South Carolina	X	X		X	X	X	X	E
South Dakota								
Tennessee	X	X				X	X	
Texas		X	X				X	E
Utah		X	X				X	
Vermont		X		X				E
Virginia	X	X	X	X			X	
Washington	X		X	X	X	X	X	I
West Virginia	X	X			X	X	X	E
Wisconsin	X	X	X	X		X		E
Wyoming						X	X	

*Source: Council for Community and Economic Research State Incentive Database; state economic development agencies.

Note: E = tax expenditure; I = incentive report.

*States that have either a recent comprehensive incentives report with performance metrics or a tax expenditure report.

Economic development incentives by state are vital tools used by governments to stimulate growth, attract businesses, and create jobs. These incentives frequently come in the form of tax breaks, grants, loans, and various forms of assistance designed to encourage both new and existing businesses to invest in certain areas. As states compete for economic expansion, they tailor their incentive programs to meet specific economic goals, regional needs, and the types of industries they wish to attract. This article will explore the different types of economic development incentives offered by states, highlight notable examples from various regions, and discuss the impact of these incentives on local economies.

Types of Economic Development Incentives

Economic development incentives can be categorized into several types, each designed to address different business needs and economic conditions. Understanding these categories

helps businesses navigate the available options and determine which incentives may be most beneficial.

1. Tax Incentives

Tax incentives are among the most common forms of economic development incentives. They can take several forms, including:

- Tax Credits: Direct reductions in tax liability for businesses that meet specific criteria.
- Tax Exemptions: Waivers of certain taxes, such as property or sales tax, to reduce the financial burden on businesses.
- Tax Deductions: Allowances that reduce taxable income, leading to lower overall taxes owed.

Examples of Tax Incentives by State:

- Texas: Offers the Texas Enterprise Fund, which provides cash grants to companies that create jobs and invest in the state.
- California: The California Competes Tax Credit is available for businesses looking to expand or relocate within the state.

2. Grants and Loans

Grants and loans are financial incentives that provide direct funding or low-interest loans to businesses. These incentives are often designed to support specific projects or initiatives, such as research and development or infrastructure improvements.

- Grants: Non-repayable funds awarded to businesses that meet specific qualifications.
- Loans: Funds provided at lower interest rates than traditional loans, often with flexible repayment terms.

Examples of Grants and Loans by State:

- Florida: The Florida Small Business Loan Program offers loans to help small businesses grow and create jobs.
- New York: The New York State Economic Development Fund provides grants and loans for projects that promote economic development and job creation.

3. Workforce Development Incentives

Workforce development incentives focus on enhancing the skills of the labor force to meet the demands of local industries. These programs often include training subsidies, apprenticeship programs, and partnerships with educational institutions.

- Training Grants: Financial support for businesses that provide training to their employees.
- Apprenticeship Programs: Initiatives that combine on-the-job training with classroom instruction.

Examples of Workforce Development Incentives by State:

- Georgia: The Quick Start program provides customized workforce training for new and expanding businesses at no cost.
- Ohio: The Choose Ohio First Scholarship program offers funding for scholarships in STEM fields to develop a skilled workforce.

4. Infrastructure Development Incentives

Infrastructure development incentives aim to improve transportation, utilities, and other critical infrastructure to support business operations. These incentives may involve direct funding for construction projects or tax incentives for companies investing in infrastructure improvements.

Examples of Infrastructure Development Incentives by State:

- Illinois: The Illinois Jobs Now! program invests in infrastructure projects to stimulate job creation and economic growth.
- North Carolina: The Industrial Development Fund provides financial assistance to local governments for infrastructure projects that support economic development.

Regional Highlights of Economic Development Incentives

Different regions within the United States have developed unique incentive programs that reflect their economic landscapes and strategic goals. Here are some regional highlights:

1. The South

The Southern states have aggressively pursued economic development incentives to attract businesses, particularly in manufacturing, technology, and logistics.

- Tennessee: The FastTrack Economic Development Program provides grants for job creation, training, and infrastructure development.
- Alabama: The Alabama Jobs Act offers tax incentives for companies that invest in the state and create jobs.

2. The Midwest

Midwestern states have focused on diversifying their economies and revitalizing urban areas through targeted incentives.

- Indiana: The Economic Development for a Growing Economy (EDGE) program offers tax credits based on job creation and investment.

- Michigan: The Michigan Business Development Program provides grants and loans to companies that create jobs in the state.

3. The Northeast

Northeastern states often emphasize innovation and technology as key drivers of economic growth.

- Massachusetts: The Economic Development Incentive Program (EDIP) provides tax incentives for businesses that create jobs and invest in the state.
- New Jersey: The Grow New Jersey Assistance Program offers substantial tax credits for businesses that create jobs in targeted industries.

4. The West

Western states have leveraged economic development incentives to promote sustainability and high-tech industries.

- Washington: The Washington State Business & Occupation Tax Credit offers tax relief for businesses engaged in research and development.
- Colorado: The Job Growth Incentive Tax Credit provides tax credits for companies that create new jobs in the state.

The Impact of Economic Development Incentives

The effectiveness of economic development incentives is a topic of ongoing debate among policymakers, economists, and business leaders. While these incentives can lead to increased investment and job creation, there are several factors to consider.

1. Job Creation and Economic Growth

Many studies suggest that economic development incentives can significantly impact job creation and overall economic growth. By attracting businesses to a region, states can benefit from increased employment, higher wages, and a broader tax base.

2. Business Attraction and Retention

Incentives play a crucial role in attracting new businesses and retaining existing ones. Companies often evaluate the incentive landscape when deciding where to locate or expand. States that offer competitive incentives are more likely to attract businesses looking for favorable operating conditions.

3. Potential Drawbacks

Despite their benefits, economic development incentives can have drawbacks, including:

- Inequity: Not all businesses have equal access to incentives, which can lead to disparities in growth.
- Cost to Taxpayers: Incentives often require public funding, leading to concerns about the long-term fiscal impact on state budgets.
- Dependency: Businesses may become reliant on incentives, making it challenging to sustain growth without ongoing support.

Conclusion

Economic development incentives by state are essential components of the strategy to bolster economic growth, attract businesses, and create jobs. By understanding the various types of incentives available and examining regional highlights, businesses can identify opportunities that align with their goals. While these incentives can yield significant benefits, it is crucial for policymakers to consider their design and implementation carefully to ensure equitable access and sustainable growth. As states continue to compete for economic development, the landscape of incentives will likely evolve, reflecting changing economic conditions and priorities.

Frequently Asked Questions

What are economic development incentives offered by states?

Economic development incentives are financial benefits or tax breaks provided by state governments to attract businesses, stimulate job creation, and encourage investment in specific regions.

How do state economic development incentives vary across the U.S.?

Incentives can vary widely, including tax credits, grants, loans, and infrastructure improvements. States often tailor their incentives to attract specific industries, such as technology, manufacturing, or renewable energy.

What are some common types of economic development incentives used by states?

Common types include property tax abatements, income tax credits, sales tax exemptions, training grants, and infrastructure grants to support business expansion and job creation.

How effective are economic development incentives in promoting growth?

The effectiveness can be mixed; while they can attract businesses and create jobs, the long-term benefits depend on the industry, the quality of the incentives, and the overall economic environment.

What role do local governments play in state economic development incentives?

Local governments often collaborate with state agencies to implement economic development incentives, providing additional support and tailoring programs to meet the specific needs of their communities.

Are there any criticisms associated with economic development incentives?

Yes, criticisms include concerns about the cost to taxpayers, the potential for incentivizing businesses that do not create sustainable jobs, and the risk of 'race-to-the-bottom' scenarios where states undercut each other's incentives.

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