



# **Economic Development and Revenue Collection: Balancing Competitive Recruitment with Transparency and Accountability**

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July 17, 2018

# Agenda

1. Current Outlook and Competitive Landscape
2. Developments and Demands on Transparency and Impact
3. Accountability and Common Sense Compliance

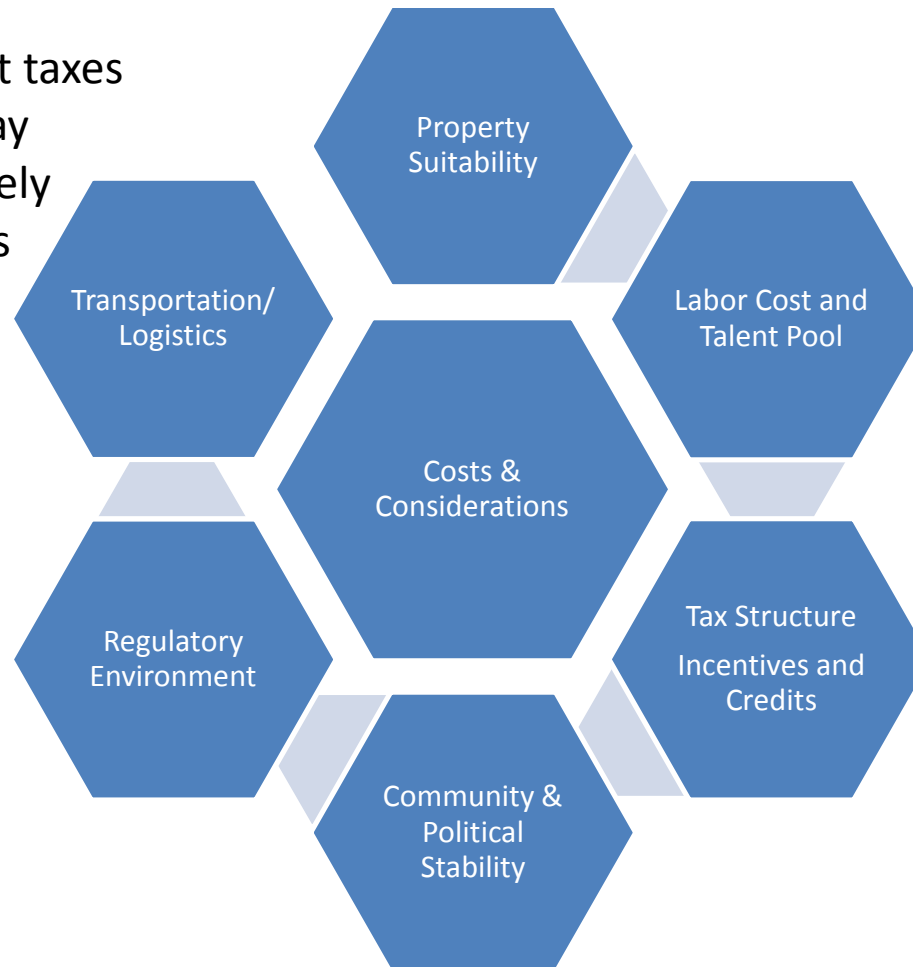


**Current Outlook and  
Competitive  
Landscape**

# Relocation and Expansion Fundamentals

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- 1) It is not just about taxes
- 2) The globe is in play
- 3) Competition is likely internal as well as external



# New Horizons for MegaProjects?



# The Buzz?

January 30, 2018

## Will Amazon HQ2 Process Change Economic Development Game?



From Daily Tax Report: State

BUSINESS  
INSIDER

## HQ2 is making cities consider projects they've been ignoring for years — and it shows the power of Amazon

Dennis Green Jul. 1, 2018, 4:05 PM



## Lawsuit seeks to unlock Minnesota's failed Amazon bid

Brian Bakst June 27, 2018, 11:26 AM



## Allegheny Conference head outlines secrecy behind Amazon HQ2 bid



BOB BAUDER | Thursday, July 5, 2018, 4:42 p.m.

## GOVERNING

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## You've Won Amazon's HQ2. Now the Hard Part Begins.

How the winning community deals with the gains and pains holds lessons for any place hosting a booming industry.

JUNE 26, 2018

# How are states doing?

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## America's Top States for Business 2018

### Top Half SEATA States with Rank

Virginia	4
Georgia	7
North Carolina	9
Florida	10
Tennessee	13
South Carolina	30



Getty Images

<https://www.cnbc.com/2018/07/10/americas-top-states-for-business-2018.html>

# What are states doing?

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- Trends in tax incentives, structure
  - Rates, factors, data centers, R&D
- Impact of federal tax reform on ECD strategies?





**Transparency and  
Impact**

# Evaluating Impact: The Tennessee Experience

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- In 2013, PEW and CREC chose Tennessee and 6 other states to participate in study of business incentives policy and practice



# Evaluating Impact: The Tennessee Experience

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- Public Chapter 504 (2015)
  - Tenn. Code Ann. § 67-1-118
- Public Chapter 251 (2017)
  - Tenn. Code Ann. § 67-4-2109

December 26, 2016

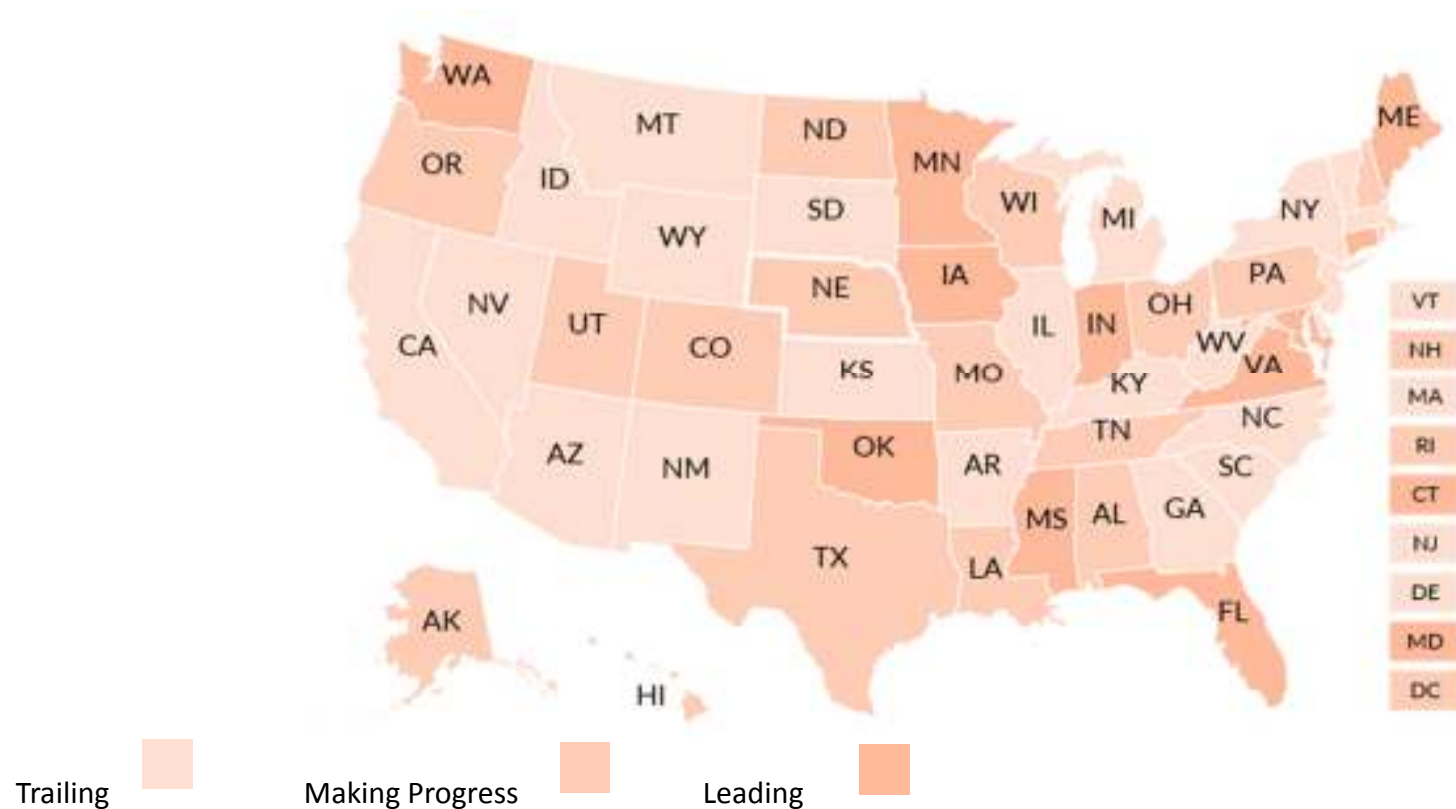
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*The Economic Impact of  
Business Tax Credits in  
Tennessee*

# Evaluating Transparency: The Tennessee Experience

## State Tax Incentive Evaluation Ratings



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# GASB 77

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- Establishes disclosure standards for tax abatement agreements entered into by state and local governments.
- Disclosures encompass tax abatements resulting from:
  1. agreements entered into by the reporting government; and
  2. agreements entered into by other governments that reduce the reporting government's tax revenues



**Accountability and  
Common Sense  
Compliance**

# The Business Perspective

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Promises made, promises kept:

- Businesses likely have accountability for realizing the benefit of incentives, credits and exemptions.
- Important to establish compliance requirements early on to put controls and processes in place to realize benefits.
- Flexibility is required: businesses and industries change over time – positions and people change.
- Reasonableness and common sense approach to compliance requirements should allow businesses to realize benefits.

# The Government Perspective

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Promises made, promises kept:

- Government has accountability for realizing the benefit of incentives, credits and exemptions.
- Important to establish compliance requirements early on to put controls and processes in place to realize benefits.
- Data is required.
- Communication is required.
- Documentation is required.
- Everyone wants the benefits to be realized.





**Questions**