

# **Bond Case Briefs**

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## **Incentives Watch: State Tax Incentive Review Programs Come of Age.**

State governments across the country have fallen in love with the use of credits and incentives to spur economic growth and social progress. The last twenty years have seen an explosion of state tax credit programs, including historic rehabilitation/preservation credits, economic development credits, and even individual credits to assist first responders and veterans. But growing with this expansion is concern that states have no way of knowing whether a particular program is working. Reform in this area is picking up steam, and seeks not just to understand the bald dollar value of credits offered but also evaluate the return on investment the state receives. Though most evaluation is done in monetary terms, some states are beginning to look past finances to determine a credit's effect on homelessness, poverty rates, and educational access. Several recent pieces of legislation seek to obtain this information in order to guide policy makers toward programs that are worth the public's time and resources.

### **Credit Evaluation: Flying Blind?**

Current state evaluation of credit offerings is uneven and incomplete. Just 10 states have an established method in place of reviewing major tax incentives, according to a [report](#) by Pew Charitable Trusts in 2017. The evaluation was based on three criteria: 1) well-designed plans for regular reviews, 2) experience in producing quality evaluations, and 3) a process for informing policy choices. Too often states merely collect information on the total value of credits offered in a given year, and perhaps the identities of the recipients. States rated as "leaders" in the Pew report seek to understand efficacy, through both achieving the desired result and understanding the cost.

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**Bloomberg BNA**

Aug 7, 2018 / by Kevin Thayer